

The Education Trust Board of New Mexico

THE HONORABLE SUSANA MARTINEZ
GOVERNOR OF NEW MEXICO

DR. BARBARA DAMRON, CABINET SECRETARY
NEW MEXICO HIGHER EDUCATION DEPARTMENT



BOARD MEMBERS
DR. BARBARA DAMRON, CHAIR
ROBERT J. DESIDERIO, VICE-CHAIR
DR. JOSE Z. GARCIA
DAVID JANSEN
MARK JARMIE
EXECUTIVE DIRECTOR
THEODORE MILLER

APPROVED

*Vera Lyons
Board Secretary*

Meeting Minutes of August 30, 2017
Gravitate, 1121 4th Street NW
Albuquerque, NM 87102

Board Members in Attendance

Dr. Barbara Damron – Chair
Robert Desiderio – Vice Chair
Dr. Jose Garcia -- Member
David Jansen -- Member
Mark Jarmie -- Member

Other Individuals in Attendance

Theodore Miller -- Executive Director ETB
Vera Lyons – Board Secretary ETB
Mikaela Roos – Outreach Director ETB
Michelle Tange – Outreach Coordinator ETB
Helen Atkeson -- Hogan Lovells US LLP (by telephone)
Brian Parrish – Sommer Udall

Del Esparza – Esparza Advertising
Emily Howard -- Esparza Advertising
Craig Berry – Esparza Advertising
Kay Ceserani -- Pension Consulting Alliance
Ryan Lobdell – Pension Consulting Alliance
Chris Werner – OppenheimerFunds
Keith Hylind -- OppenheimerFunds
Heather Holliday – OppenheimerFunds
Leslie Ann Bednar – OppenheimerFunds
Matt McGee – OppenheimerFunds
Andrea Feirstein – AKF Consulting (by telephone)
Michele Nelson -- Court Reporter

1) CALL TO ORDER

Dr. Damron, the Chair, called the meeting to order at 9:01 AM. The roll was called and all Board Members were present.

2) PUBLIC COMMENT

The Chair called for public comment. There being none, the Chair moved on to the next agenda item.

3) APPROVAL OF AGENDA

Dr. Damron noted the agenda as presented to the Board and asked if there was any comment on the agenda. There being none, she called for a motion to approve the

agenda as presented. Mr. Jansen so moved, and Vice Chair Desiderio seconded the motion. The motion passed unanimously.

4) APPROVAL OF MINUTES

Dr. Damron referenced the minutes of the April 27th, May 26th and July 7th meetings of the Board. Mr. Jarmie moved that the minutes be approved. Mr. Jansen seconded the motion. The vote to approve the minutes of the meetings of April 27th, May 26th and July 7th, 2017 was unanimous.

5) EXECUTIVE DIRECTOR'S REPORT

Mr. Miller then gave the Executive Director's report.

Mr. Miller then reported on the Administrative Fund. The balance in the Fund at the beginning of April was nearly \$8 million.

He then updated the board with regard to the budget for FY2018. He first compared the projected spending for FY2017 presented at the April 27th board meeting to the actual spending for the prior fiscal year. He noted that revenue was about 3% less than projections while spending was about 1.4% in excess of projections. This resulted in additions to the program administration fund being about 11% short of projections. He noted that revenue and expense numbers were large relative to the addition to the program administration fund so that net positive or negative changes to these items can cause a large percentage swing relative to the much smaller administrative fund number.

Next he noted that the original budget had been approved on April 27th, prior to the August 8th approval of the fee and investment proposal for the program. He then reviewed the revised budget taking into account the effect of the new proposal. He noted that for FY2018 the program would bear the cost of the fee rebate for the first six months as well as the reduction in fees from the new investment and fee proposal. The result is a lower projected increase in the program administration funds from \$491,000 to \$300,000. He estimated slightly over \$2 million in fee revenue, \$650,000 from OppenheimerFunds in marketing revenue and \$40,000 in investment revenue from LGIP. On the expense side there is an increase of \$40,000 to cover "lunch and learn" food costs as well as promotional giveaways. Mr. Miller noted that the state controller was in agreement with a proposal to authorize these expenses with two "whitepapers".

Mr. Miller then turned to the timing of the changes to the program under the investment and fee proposal. The proposal would be implemented in two phases. Phase 1, scheduled for November, 2017, would include the swap out of new funds for old as well as the fee reductions. Phase 2, scheduled for February, 2018, would consist of the addition of the new portfolios for the program to address the sequencing of returns issue. Mr. Miller noted his confidence in the OppenheimerFunds team members at the meeting, but expressed his concern about senior management at Oppenheimer Funds. He hoped that the team would be able to get the resources needed to

implement the project. Ms. Ceserani noted that PCA was in support of this two-phase approach.

Mr. Jarmie asked if Morningstar would have a concern about the timing of the additional portfolios. Ms. Ceserani thought that the program would get recognition for the board-approved changes in the October Morningstar report, with additional recognition next May in the follow-on report.

Dr. Damron asked if the board should vote on the two-step approach. Mr. Miller noted that OppenheimerFunds would prefer that the board do so. Dr. Garcia made a motion to that affect. Mr. Jansen seconded the motion. The vote to approve the two-step process was unanimous.

Dr. Damron also expressed concern about the need for communication talking points both if the project proceeded as planned and if it encountered problems. Mr. Miller noted that both OppenheimerFunds marketing and the newly retained PR firm should be able to help in these matters.

Mr. Jarmie then asked how the OppenheimerFunds personnel would communicate if they thought they were not getting the internal support needed. Mr. Miller said that they would notify him, and that he would hear about this at the biweekly status calls held with the firm.

Mr. Jarmie reinforced his comments by noting that while the board might have confidence in the people in the room, it was not yet clear whether senior management merited that confidence. Mr. Hylind stated that the team would always maintain an open dialogue with ETB.

PROGRAM MANAGER'S QUARTERLY REPORT

Dr. Damron then asked Mr. Werner to give the quarterly investment report. He referred the Board to the Executive Summary. He began with a brief review of the quarter and the year-to-date in terms of the economy and markets. He noted that 2nd quarter performance continued the positive performance noted in the 1st quarter. International and emerging markets outperformed domestic markets, but domestic markets were also positive. Emerging markets were the highest performers. Large cap outperformed small cap and growth outperformed value.

For The Education Plan Mr. Werner noted that the funds in the index portfolios were across the board performing as expected. Moving to the blended portfolios, he noted that the portfolios had outperformed relative to their benchmarks and net of fees.

With regard to underlying funds the Oppenheimer Global Fund outperformed its benchmark by four percent. The Value Fund also outperformed for the quarter. The Main Street Fund outperformed for the quarter as well.

Turning to Scholar'sEdge he noted the outperformance there. The International Growth Fund performed quite well.

One fund that has not performed well for some time is the Dreyfus Research Growth Fund. Mr. Werner stated that OppenheimerFunds would prepare a list of replacement funds for consideration at the next board meeting.

Dr. Garcia asked Mr. Werner about the firm's outlook for the next quarter. Mr. Werner noted that there was high confidence in earnings for next quarter both domestically and internationally. He expected international markets to outperform domestic markets. He also expected to see an increase in volatility in the US, particularly if the new administration is unable to make progress on tax reform.

Mr. Miller noted that for the quarter there were positive net flows into both plans. Mr. Werner agreed but also noted that account growth in Scholar'sEdge still lagged.

Dr. Damron made reference to the map of the United States in the presentation, and her surprise at the number of accounts and assets from states like California, Texas and even New Hampshire. Mr. Werner noted that the sales team would be able to spend additional time in other states now that the Illinois plan was no longer managed by OppenheimerFunds. The focus is on states with no in-state tax advantage for the local plan. Ms. Howard noted that the digital marketing campaign would be focused on these states as well

6) INVESTMENT CONSULTANT QUARTERLY REVIEW AND WATCH LIST RECOMMENDATION

Dr. Damron asked Ms. Ceserani to give the investment consultant's quarterly report. She noted that 97% of the funds in the program are rated three or more stars by Morningstar. While this is good, she also noted that only 39% had medal ratings. This is somewhat light. She noted that this would improve somewhat when the new investment lineup is in place.

Ms. Ceserani then turned to the performance of the funds relative to their benchmarks. She noted that more than 50% of the funds had outperformed the benchmarks for the quarter. On the negative side, the Dreyfus Research Growth Fund continued to show significant underperformance. On a one year basis the Dreyfus fund also significantly underperformed.

With regard to the watch list criteria, TEP had 66% of funds either in the positive or acceptable range. This is much higher than the 33% that PCA usually sees. Out of 25 funds Scholar'sEdge had 21 that were either positive or acceptable.

The age-based portfolios have performed relatively well against the universe of other plans as well as against the Morningstar medal-rated plans. The cases where this was not true was in a couple of Scholar'sEdge portfolios where active management had struggled in the past.

Turning to the watch list recommendations, Ms. Ceserani recommended that the Oppenheimer Value Fund and Global Value Fund be removed from watch status. The

Dreyfus Research Growth Fund remains on watch and the Oppenheimer Capital Income Fund is recommended for watch list status.

Mr. Jarmie made a motion to accept the recommendations of PCA with regard to the watch list. Dr. Garcia seconded the motion. The vote to accept the watch list recommendations was unanimous.

7) PCA STRATEGIC ASSET ALLOCATION REPORT

The next agenda item was presented by Ryan Lobdell, a vice president at PCA, who focuses on asset allocation and asset/liability studies for clients. He presented PCA's report on a strategic approach to asset allocation.

Mr. Miller reminded the board that the report was produced pursuant to a small contract approved by the board in April. Mr. Miller observed that the recent changes to the 529 program approved by the board would make the program more competitive, but that the competitive environment was in constant change. This meant that the 529 program would need to be in a state of continuous change as well.

He noted that OppenheimerFunds still operated the program with traditional actively managed mutual funds. In the future the switch would have to be made to lower cost ETFs or other investment structures in order to remain competitive.

The 529 program would need an edge to establish itself as a leading program. Strategic asset allocation is an approach that is different from the traditional methods applied to 529 programs. Ms. Ceserani noted that to her knowledge it had not been adopted by any 529 programs. Mr. Miller stated that at the end of the presentation he would be asking the board for approval of another small contract to actively pursue the investment work needed to adopt a strategic asset allocation approach for the 529 program.

Mr. Lobdell stated that the presentation was in three major parts. The first is a review of the purpose of a 529 plan. The second is a review of the typical participants in a 529 plan and what the objectives would be to satisfy these different investors. The third part is the most significant since it addresses how a strategic asset allocation framework can help address the objectives of investors in a more clear and defined way.

He noted that the basic purpose of a 529 plan is to help investors save for college expenses, typically for their children. The plan needs to provide high-quality investment options for that purpose.

In order to meet the objectives of investors it is necessary to define their characteristics. He referred the board to a chart that showed the average periods of accumulation and distribution for a typical defined contribution plan and a typical 529 plan. He observed that both periods for a 529 plan were much shorter than for a retirement plan. This made it difficult to recover from major market downturns.

Mr. Lobdell noted that the typical 529 plan does not have explicitly stated investment objectives. Most make general statements about providing investments to help investors save for college, but do not specifically outline how this will be achieved.

He next outlined what specific investment objectives might look like for a 529 plan. Most people probably want to match or exceed tuition inflation in their college savings accounts. Tuition inflation is highly variable from year-to-year, but can be averaged over time and compared to CPI. Averaging over the typical savings periods for a 529 plan of 13 to 18 years shows that tuition inflation exceeds CPI by about 2.3 times.

It is then necessary to look at the various types of investors in a 529 plan. For example, the do-it-yourself investor might want to not only match inflation, but might want to exceed it. Another type of investor might be the "help me do it" investor. Such an investor might want to keep up with tuition inflation, but might not want to be too aggressive. Mr. Miller noted that the call center people at OppenheimerFunds though that the majority of investors that called about the 529 plan were this type.

Finally there might be the "do it for me" investor. They may want to be a more conservative than the other two types, and favor more downside protection.

The board, working with its advisors, would create the objectives for the plan and then specific portfolios and glide paths would be created to meet those objectives. Marketing and communications personnel would advise as to the best way to present the information to investors.

Mr. Lobdell then went on to explain PCA's investment viewpoints such as investment cost matters, balanced risk exposures are better than concentrated risk and managing downside risk is important. Also complexity can detract from governance efficiency. PCA tries to aggregate asset classes into broad categories to help clarify decision making. He noted that asset allocation is by far the greatest determinant of investment return. Manager selection and rebalancing are minor components. What matters is not the individual funds selected but rather the broad mix of equities, bonds and alternative investments.

He referred to a chart detailing the various investment components of the SE age-based track from the new investment proposal. On the surface it looks very well diversified. The other way to look at the investment is through its exposure to growth versus non-growth assets. Due to the fact that many fixed income assets behave like equities over time showed that the age-based track was heavily growth oriented.

Mr. Lobdell then reviewed another chart which detailed the distribution of outcomes for such a portfolio over time. He noted that even when the portfolio contains 40% equities (ages 14-15 on the age-based track) computer simulations show that it is possible in the worst 10% of cases to lose 25% of the value of the portfolio. This modeling was based on a rolling 3-year model dating back to 1970 combined with PCA's return expectations going forward.

He then reviewed the behavior of certain asset classes over time to demonstrate that certain fixed income asset classes behaved more like equities than like traditional fixed income investments.

Based on this review Mr. Lobdell then described an alternative method to analyzing asset classes. This method groups asset classes based on three broad measures – Growth oriented, Inflation oriented and Protection oriented. Each of the individual asset classes can then be grouped into one of these three broad categories. He then outlined how the 529 plan assets classes would fall into these categories. He then showed how portfolio models with varying levels of risk and return can be created utilizing this approach.

He pointed out that a strategic asset allocation framework is a paradigm not a product. The board would be deeply involved with the determination of the investment objectives of the 529 program. Once the objectives are determined the analytical work to construct appropriate portfolios would be done. The investment policy would be revised to take account of the objectives and the types of portfolios to be created.

Mr. Lobdell then ran through a hypothetical example of an investment glide path as well as a standalone portfolio constructed using a strategic asset allocation approach.

Ms. Ceserani noted that this type of process is different than what most plans do. It requires more time and board involvement. Mr. Jarmie asked how Morningstar would view this. Ms. Ceserani thought it would be viewed favorably.

Mr. Hylind observed that the two 529 plans addressed different audiences and that the process of educating direct investors and advisors would need to be considered. Ms. Bednar thought that explaining the details of the process would be difficult for most investors. Ms. Ceserani agreed but noted that in the end investment structures typical to a 529 program would be the result. The technical details of how that structure was created would not need to be explained.

Dr. Garcia thought that the presentation made two important points. The first was to focus on the goals for the program in terms of the different types of investors both in New Mexico and nationwide. The second point was that the presentation called for the creation of a paradigm for designing the investments.

Dr. Damron thanked Mr. Lobdell for the presentation, and observed that in her experience in medicine it is possible to explain complex matters in a way the patients can understand. The same should be true for this type of program.

Ms. Ceserani stated that should the board decide to go forward it would begin a process in which the board members would be directly involved to determine the investment goals of the program. This process would be informed by data gathered from OppenheimerFunds and the marketplace about investors.

Ms. Bednar asked Mr. Lobdell what the timeframe would be for the project. He estimated three to six months for PCA to do the analysis. This would be after the board had decided on its objectives for the program.

Dr. Damron asked what legal questions would need to be addressed. Mr. Miller stated that these questions would primarily involve the necessary changes to the investment policy statement and the necessary regulatory and disclosure requirements.

Ms. Bednar noted that necessary changes to content and materials would have to be considered.

Dr. Damron noted that there was a contract before the board for approval. She asked what would be the nature of the work under the contract. Ms. Ceserani noted that she and Mr. Lobdell would coordinate meetings with board members to identify the goals of the process. Research also would be done to determine the needs of investors. The process would take about six months with monthly updates to determine progress and next steps. It is a very iterative process. In the end the final work product would be a revised set on investment and a revised policy statement in line with the objectives determined by the board.

Vice Chair Desiderio asked how the process would start if the board had not yet determined its objectives. Ms. Ceserani noted that that would be the first step in the process. PCA would communicate individually with board members and then collectively the board would meet to make a decision.

Mr. Miller stated that the process would not begin until the just-approved fee and investment structure was put into place.

Dr. Damron asked Mr. Jarmie if he had any comments. He observed that the board was being asked to expend \$50,000 to figure out what it wanted to do. He was prepared to support this upon the recommendation of Dr. Damron and Mr. Miller. Dr. Damron agreed that the board could have proceeded on its own to determine investment objectives for the program. It was also the case that the board is an unpaid volunteer board. The members were already engaged in their other full time careers. She thought it was appropriate to seek the help and advice of PCA, ETB staff and other advisors to move the process along.

Mr. Jarmie then made a motion to enter into a contract with PCA in an amount not to exceed \$50,000 plus gross receipts tax for the scope of work presented in professional services contract #18-949-9010-0004. Mr. Jansen seconded the motion. The motion was approved unanimously.

At this point the board took a short break from 11:09-11:26 AM.

8) LEGAL MATTERS

Mr. Parrish of the Sommer Udall firm then updated the board on the status of the Attorney General's opinion request regarding the proposed grant program. He noted that the AG's staff had prepared a draft, and it was being reviewed at the next level. He thought that getting to the review was a significant step, but could not give a time for release of the opinion.

Ms. Atkeson then addressed several points that she had outlined in her memo to the board. The first was the conversion of C shares to A shares. Regulators believe that purchase of C shares for in 529 plans for young beneficiaries (<11 years old) is inappropriate. As a result plans are converting C shares to A shares on a timetable.

Nebraska recently announced a 5-year conversion. OppenheimerFunds has proposed a 10-year conversion. Mr. Miller noted that there is a financial impact on the program manager for these conversions. They are now occurring generally in the industry, and 5 years seems to be a common timeframe. Ms. Holliday then stated that she was aware of the concern about the 10-year timeframe, and was in discussion with OppenheimerFunds staff on the matter to determine a shorter timeframe.

Mr. Werner noted that whatever the timeframe it was being determined on revenue neutrality to the program manager. Mr. Miller stated that if the industry was generally going to a 5-year time frame then any longer would be a concern for ETB.

Mr. Jarmie stated that if C shares are inappropriate for a younger beneficiary, then as a fiduciary he wanted to see a shorter conversion period. He asked why it couldn't be done in 2 or 3 years. Mr. Jansen asked if new account owners with beneficiaries under 11 years could still be sold C shares. Mr. Werner stated that brokerage firms were trying to prevent this practice internally.

Ms. Feirstein stated that the issue has been out in the industry for a couple of years, and that to her knowledge 8 program managers had already arranged for conversion. The time periods depended on the amount of the A share load. The smaller the A share load the shorter the conversion period to breakeven. The longest conversion period she had seen was in New York at 7 years. She thinks that a 10-year conversion period was hard to justify. In each case that she had seen the program manager had come to the board with information as to the breakeven period.

Mr. Jarmie asked if there was a motion that could be proposed at the meeting to move this issue along. Ms. Atkeson proposed that the board intends to make a C share to A share conversion and that the timeframe for that conversion would be dependent on an analysis prepared by the program manager and delivered in time for the board to make a decision at its next quarterly meeting.

Mr. Jarmie so moved. Mr. Jansen seconded the motion. The vote to approve the motion was unanimous.

Mr. Miller also observed that the share loads in the 529 business appeared to be dropping. Nebraska lowered its A share load at the same time that it adopted a conversion process. This was a developing area in 529. Mr. Werner agreed, as did Ms. Feirstein.

Ms. Atkeson then turned to the SSN and TIN matter. She noted that the New Mexico program currently accepts only SSNs for the account owner and the beneficiary. The board had approved new procedural rules that permit account owners and beneficiaries with TINs to participate in the program. Those rules were about to be presented in a public hearing, and would become part of the New Mexico Administrative Code. This is in accordance with federal law as well. Mr. Miller observed that many people in New Mexico use TINs. He was aware of the potential for abuse of TINs but on balance thought that the program needed to have the capability.

Ms. Holliday confirmed that OppenheimerFunds would change its practices to facilitate the use of TINs.

Ms. Atkeson then addressed the web hosting and domain name matter. She noted that domain names for the ETB websites and several other ETB-related sites were held by either OppenheimerFunds or by Esparza. Since these domain names are part of the intellectual property owned by the board, it would be prudent to maintain ownership of them by the board. Others, such as OppenheimerFunds, could be given rights to use the domain names as appropriate. In the future the ownership and the responsibility for keeping the names in registration would fall to ETB.

She then addressed the fact that the website redesign included the creation of a new "front end" marketing site that would be hosted separately from the OppenheimerFunds transactional website.

She asked Mr. Miller to elaborate. He noted that the new front end website materials would undergo regulatory review similar to what is now done on the site. He stated that Esparza did not think that this process would inhibit its activities. Design of the site is ongoing under a contract between Esparza and SilverTech. Money from both ETB's marketing budget and Oppenheimer's marketing budget are being used for this purpose.

Once the site is ready to be implemented, SilverTech will host the site. The firm is familiar with designing and hosting websites for financial firms, healthcare organizations and others with security concerns.

Ms. Atkeson also notified the board that she and Mr. Miller were reviewing the program manager agreement which may need to be revised in light of the changes to the program that have been approved by the board.

Finally she addressed the recent rule making by the MSRB which in part will require more disclosure by regulated entities with regard to tax status of 529 plans for the investor.

At this point the board took a short lunch break from 12:12-12:22 PM.

9) QUARTERLY MARKETING REPORT

After the break Dr. Damron asked Ms. Howard to begin the marketing presentation. She began with a chart of quarterly comparisons of media impressions, website visits, conversion, social media and emails delivered. Year-over-year media impressions were up as were website visits, due to the spreading out of the web budget over the entire year. Low conversion rates are still a problem. Social media was down slightly due to a focus on Facebook during the heavy selling as opposed to year round. Emails delivered were up due to the quarterly executive director's email to account owners.

New accounts were down a bit and new sales dollars were up. The takeaway according to Ms. Howard is that direct traffic to the TEP website was up. And the web traffic aligned with the states where the marketing efforts were directed. There was a 43% increase in website visits year-over-year and a 47% increase in individual users coming to the site. New accounts are down 15% but new contributions are up 17%.

Dr. Damron expressed her frustration with the inability to grow accounts. Mr. Esparza noted that the initial level of engagement is high, but the drop off rate is also high. The redesign is an attempt to improve that result. Mr. Werner noted that both new accounts and new sales dollars were up for TEP. SE had new sales dollars but a shortfall in new accounts of 23%. Both Mr. Jarmie and Dr. Damron asked Mr. Werner about the reason for the shortfall. He did not directly answer the question.

He turned his attention to the sales goals for all of calendar 2017 as compared to 2016. The SE goal is an increase of 5% or \$125 million. He also described some of the activities of the sales specialists such as required minimum visits with advisors and telephone calls to them. Dr. Damron thought that 150 calls a quarter was not high. Mr. Werner turned to Mr. McGee to explain the types of activities that he engages in as a sales specialist.

Dr. Damron reinforced her concern about the need to grow accounts as well as to have investors continue to make ongoing contributions.

Ms. Howard then informed the board of some new advertising initiatives directed at the advisor channel. 529 accounts are not financially rewarding to advisors in themselves unless they are part of a larger relationship with the customer. A goal of the advertising will be to make advisors feel good about recommending the 529 program.

Mr. Berry addressed the "Genie" concept. The first is to reinforce the value that a financial professional can bring to a customer regarding college savings. The second concept is that of the "Balanced" approach. SE is part of a balanced financial plan for the customer. Mr. Esparza noted that this type of advertising directed to advisors is not commonly done. It should stand out. Much of the advertising directed at advisors use scare tactics about gathering assets.

Ms. Howard noted that the material was in development with production scheduled for October. A launch should occur in late October or early November. Mr. Jarmie asked if focus groups were being used. Ms. Howard said that they were not, but there had been reliance on Chris and the sales specialists

Mr. Jarmie said that before all the work is done it should at least been run by advisors to get feedback as to whether it works. Mr. Esparza said that they would work with OppenheimerFunds to ensure that the material resonated with the advisors.

Ms. Howard then updated the board on the TEP website development project. She reminded the board that the primary purpose of the redesign was to meet the need of unsophisticated investors. Other goals are to simplify the user experience, to work on terminology and to better integrate the website content with the digital marketing effort.

The new website would be flexible for redesign efforts and should be useful to capturing the data necessary to improve the design in response to user actions. It is also important to capture leads from user interactions with the website.

Ms. Howard outlined the process that began a year ago and has gone through several stages to develop and implement the website. She stated that the board would see some design plans at the October meeting. Dr. Garcia hoped that the design would incorporate a way to easily communicate with family and friends to contribute to a child's account.

Ms. Howard finished up the review by noting that the design has to go through regulatory review, and then be coded and integrated with the transactional site that is maintained by OppenheimerFunds. She hoped that the site would be ready to roll out in the January=February timeframe.

Mr. Esparza noted that SilverTech had been chosen in part because of its experience in dealing with financial and healthcare firms that must maintain confidentiality and security of data.

Mr. Miller noted the complexity of the challenges to implement both the website project and the fee and investment project at the same time. Every resource team is involved in some way – IT, operations, legal and regulatory, sales, the call center and PR.

Ms. Howard then summarized the basic architecture of the new website.

When she finished Ms. Bednar updated the board on the new dual language flyer.

Ms. Roos then gave a brief review of the community outreach and employer initiatives. She introduced Michelle Tange to the current board. Ms. Tange had previously done community outreach and employer work for the board and was no being rehired as a contractor to assist Ms. Roos in that effort.

Ms. Roos highlighted the recent decision by Dekker/Perrich/Sabatini to make TEP available to its 180 employees. She reviewed the CNM initiative as well as the UNM activities. UNM is going to permit "lunch and learn" meetings with new hires and other employees. In addition the Educational Retirement Board has expressed an interest in providing TEP exposure in its newsletter.

She also reviewed Ms. Tange's efforts with the community outreach. TEP will have a presence at events such as a Junior Achievement kickball event, College and Career Day at the State Fair, a major Girl Scout event in Bernalillo, the Lincoln County Cowboy Symposium, Taste of the Mountains in Edgewood, Holiday Magic Arts and Crafts in Roswell and other events.

ADJOURNMENT

Dr. Damron asked if there was any other business to come before the Board. There

being none, the meeting was adjourned.