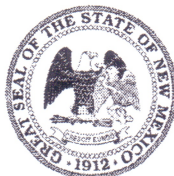


## The Education Trust Board of New Mexico

THE HONORABLE MICHELLE LUJAN GRISHAM  
GOVERNOR OF NEW MEXICO

STEPHANIE RODRIGUEZ, CABINET SECRETARY  
NEW MEXICO HIGHER EDUCATION DEPARTMENT



BOARD MEMBERS  
SANDRA LIGGETT, CHAIR  
ROBERT J. DESIDERIO, VICE-CHAIR  
DR. JOSE Z. GARCIA  
LAWTON DAVIS  
MONT GREEN

THEODORE MILLER  
EXECUTIVE DIRECTOR

Meeting Minutes of  
February 5, 2021  
1516 Paseo de Peralta  
Santa Fe, New Mexico 87501

*Approved  
Vera Lyons 4/30/21  
Board Secretary*

### **Board Members**

Sandra Liggett, Chair (remotely)  
Robert Desiderio, Vice-Chair (remotely)  
Dr. Jose Garcia, Member (remotely)  
Lawton Davis, Member (remotely)  
Mont Green, Member (remotely)

### **ETB Staff (all remote)**

Ted Miller, Executive Director  
(remotely)  
Carolyn Fittipaldi, Director of  
Marketing (remotely)  
Vera Lyons, Board Secretary (remotely)

### **Meketa Investment Group**

Kay Ceserani, Managing Principal  
(remotely)  
Frank Benham, CFA, CAIA,  
Managing Principal, Director of  
Research  
Eric White, Principal (remotely)  
Colin Bebee, CFA, Principal  
Nick Buckley, CPA Investment  
Analyst  
Zach Stevens, Associate

### **HoganLovells**

Helen Atkeson, Partner (remotely)

### **SommerUdall**

Kurt Sommer, Partner (remotely)

### **Morton Accounting Services**

Janet Pacheco-Morton, CPA (remotely)

### **CliftonLarsenAllen**

Matt Bone, CPA, Principal (remotely)

### **Ascensus**

Tom Hewitt, VP Relationship Management (remotely)  
Tom Lowe, VP Investment Management  
(remotely)

### **Principal**

Paul Schieber, Managing Director, 529 Distribution  
(remotely)  
Randy Welch, Managing Director, Portfolio Manager  
(remotely)  
James Fennessey, Portfolio Manager, Director of  
Research (remotely)  
Tracy Bollin, Managing Director (remotely)  
Jori Horn, 529 Marketing Director (remotely)

**Esparza Advertising**

Del Esparza, President (remotely)

Jamie Rushad-Rushad-Gros, VP,  
Experience and Digital (remotely)

**Sunny505**

Joanie Griffin, CEO (remotely)

Jerry Matthews, Senior Account Manager (remotely)

**1) CALL TO ORDER**

The meeting was called to order at 8:30 AM. There was a quorum and all board members were present.

**2) APPROVAL OF AGENDA**

Ms. Liggett called for a motion to approve the agenda. Mr. Green so moved. Mr. Davis seconded. The vote to approve the motion was unanimous.

**3) APPROVAL OF MINUTES**

Ms. Liggett called for a motion to approve the minutes of the November 5, 2020 board meeting. Mr. Davis so moved. Dr. Garcia seconded the motion. The vote to approve the minutes was unanimous.

**4) PUBLIC COMMENT**

The Chair then called for any public comment. There being none, she moved to the next item.

**5) FY2020 ANNUAL AUDIT REPORT**

The Chair then asked Mr. Bone to give the annual audit report. He stated that the audit had been submitted in a timely manner on October 30, 2020 and that the State Auditor had released the audit on December 18, 2021. He noted that the purpose of his presentation was to formally have the Board accept the audit. Mr. Bone stated that management of ETB had been very cooperative during the audit process. It was a unique year in that there was a transition to a new program manager during the year. He noted that Ascensus had worked with his firm to get the necessary information for the audit.

Mr. Bone observed that his firm was able to deliver an unmodified opinion that the financial statements of the Board are fairly stated and conform to generally accepted accounting principles. He also noted that his firm did not identify any control deficiencies or incidents that would be required to be recorded as audit findings. It was a clean audit.

Mr. Green asked Mr. Bone to further explain the term “material weaknesses”. Mr. Bone described the three levels of audit findings, and noted that a material weakness was the most serious. He observed that audit firms take a risk-based approach to identifying such items, and they examine what they consider to be the areas most prone to these risks. The opinion is not a guarantee that there is not an unidentified control weakness in some other area.

Dr. Garcia asked Mr. Miller if this was the best audit report the Board had received. Mr. Miller stated that the last three audit reports had been unmodified with no findings. Dr. Garcia congratulated the staff and wanted to note this for the record.

Ms. Liggett thanked the staff and Mr. Bone’s firm for the preparing in advance for the transition to a new program manager, and for gathering data from the departing program manager in a timely manner. Mr. Miller observed that the bulk of the credit should go to Ms. Pacheco-Morton and Ms. Lyons for their work.

The Chair then called for a motion to accept the FY 2020 audit. Dr. Garcia so moved. Vice Chair Desiderio seconded the motion. The vote to approve the motion was unanimous.

## **6) EXECUTIVE DIRECTOR'S REPORT**

Ms. Liggett asked Mr. Miller to give the Executive Director's report. Mr. Miller turned to Ms. Pacheco-Morton to give the quarterly financial report. She first reviewed the fiduciary funds. She noted that at the end of the quarter Scholar'sEdge had \$1.9 billion in assets and The Education Plan had \$637 million in assets. Mr. Miller observed that this was the first time that TEP exceeded \$600 million for a quarter. Year over year for the trust funds there was an increase in net position of \$164 million. This resulted largely from a decrease in redemptions and an increase in the value of investments.

She then reviewed the Board's program administrative fund and the budget. She noted that administrative fee revenue was slightly ahead of budget and interest earnings were below budget due to the COVID induced drop in rates.

Expenses were in line with budget for the quarter. The change in net position for the year was positive by \$553,000. The net position of the administrative fund at the end of the quarter was \$11.35 million as a result. She noted that spending was in line with or under budget for all major categories in the budget.

Ms. Liggett called for a motion to accept the financial report. Dr. Garcia so moved. Mr. Davis seconded the motion. The vote to approve the motion was unanimous.

Mr. Miller then presented several information items to the Board. He noted that the staff and counsel were updating the escheatment policy for the fiduciary funds. The Board would be presented with the policy for review and approval at the next quarterly meeting.

Mr. Miller then advised the Board that he had executed a small contract for 529 market research in New Mexico, following up on a similar survey done in 2018.

Finally, he noted that, unlike many states, due to statutory and possibly constitutional restrictions New Mexico did not have a 529 scholarship or grant program. Working with the marketing director, he hoped ETB could partner with appropriate organizations such as not for profit endowments and foundations as well as community-focused businesses to fund such a program for New Mexico. The money would come not from ETB or the state, but from private funds. To this end he would be engaging in a small contract for development and design of such a program with an educational consulting firm experienced in these matters. This same firm had advised NASSP on the design and implementation to the NJHS Outstanding Achievement Award Program. To date this program had opened over 2000 accounts in TEP for middle school students nationwide.

Dr. Garcia asked Mr. Miller about the marketing research contract – how much was it for, and what will be the sample size. Mr. Miller stated that the contract was for \$30,000 plus GRT, and that the sample size would be 500. This is a statistically significant sample size. Dr. Garcia also asked if demographics would be considered. Mr. Miller noted that language spoken in the family and ethnicity would attempt to be determined during the survey.

He also noted that Ms. Fittipaldi would have more information on demographics in the marketing presentation.

## **7) PROGRAM MANAGER'S QUARTERLY OPERATIONS AND INVESTMENT REPORTS**

Ms. Liggett then asked Mr. Hewitt to give the program manager's quarterly report. He updated his

quarterly overview of enrollment and account owner behavior. He observed that enrollment activity across the Ascensus plans had not dropped off as a result of the pandemic economic disruption. With regard to ad hoc contributions there had been about a 12% drop off during the year. The drop off eased during the last two months. With regard to recurring contributions, the contributions had remained steady and toward the end of the year contribution amounts increased – with December 2020 being better than December 2019.

On the withdrawal side there has been about a 15% decrease in qualified withdrawals – probably due to decreased payments for education expenses including room and board as well as tuition.

Mr. Hewitt then reviewed the account and asset figures for the plans for the quarter. He noted that both plans had increased assets due to market gains. TEP had gained about 7% in assets and maintained positive account growth of about 5% year over year. SE continued to lose accounts – about 6% down year over year. SE assets were up about 3% year over year.

Mr. Miller asked Mr. Hewitt to review the demographics of each plan. Mr. Hewitt then reviewed the average account size, average beneficiary age and net new account activity for both plans. He noted that TEP has both a higher average beneficiary age and a larger average account size than other direct-sold plans serviced by Ascensus. SE a higher average beneficiary age but a lower account balance than the advisor-sold plans serviced by Ascensus. Assets and accounts in SE are particularly concentrated in older age brackets

Mr. Hewitt then asked Mr. Lowe to give the TEP investment report. Mr. Lowe noted that it was a strong quarter for the markets and that the Year of Enrollment Portfolios, all passive funds, had performed as expected. He then moved on to the static asset allocation portfolios. The passive asset allocation portfolios all performed as expected. He noted that the active portfolios also performed well.

He then reviewed the individual fund portfolio options as well as the performance of the underlying funds that make up the plan's Year of Enrollment and asset allocation portfolios. In particular he noted that the actively managed equity and bond funds had performed well. For the equity funds it was a combination of better international performance as well as better value performance. For the bond funds it was the bounce back in the values of BBB and lower A-rated paper.

Mr. Welch then reviewed the SE portfolios. Mr. Welch noted that it had been a good quarter for risk assets. In Us equities mid and small caps outperformed large caps.

For the quarter 7 of 11 Year of Enrollment Portfolios outperformed their benchmarks. Year to date 8 out of 11 outperformed their benchmarks. For the static asset allocation Portfolios 3 of 4 outperformed their benchmarks for the quarter and for the year.

Peer group rankings for the Year of Enrollment Portfolios for the quarter was 25<sup>th</sup> on average, and for year to date was 36<sup>th</sup>. The static Portfolios averaged 27<sup>th</sup> for the quarter and 36<sup>th</sup> for the year to date. He noted that the most conservative Portfolios were lower in the peer group rankings, but that these are very conservative Portfolios designed for the college years, and Principal was comfortable with the performance for that reason.

He then reviewed the individual fund Portfolios. He noted that most of them were either in the first quartile or second quartile of performance. One exception was the International Small Cap Fund. This fund suffered during both the first quarter and the fourth quarter of the year.

Mr. Fennessey then reviewed the Principal propriety ratings of the funds in the program. He noted that most were well-rated as represented by green highlighting. The small company fund was under performing. If it continues underperforming for another quarter it will qualify for Principal's watch list.

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

Ms. Liggett then asked Ms. Ceserani to begin the Investment Consultant's Quarterly Report. Ms. Ceserani led off with the underlying funds credit quality report. She noted that the holdings of shifted slightly lower in credit quality – the TIAA Core Bond Plus Fund, the Vanguard High Yield Corporate Fund and the iShares International Bond Fund. She observed that although there was some exposure to downgrade risk Meketa was not recommending any changes at this time.

Mr. Miller asked her if Meketa was comfortable with the exposure to BBB and lower securities at this time. She stated that they were. He then asked her what had been the overall experience with the downgrading of BBB securities to non-investment grade during the pandemic. Mr. White stated that although there had been some noted "fallen angel" activity at the beginning of the pandemic, the dramatic actions by the Federal Reserve had propped up a lot of companies, and refinancing had occurred at reduced costs. Mr. White noted that the matter is now an area of less concern as long as the government continues to intervene in the credit markets.

Mr. White then continued with the Meketa market update for the quarter. He noted the remarkable recovery of the equity markets, with the S&P 500 up 18% for the year. This came after the fastest drop ever in the stock market. The S&P 500 was down 34% in 24 trading days. There was a disparity in the recovery of stocks, with the Russell 1000 growth stocks up 40% while the Russell value stocks were up 2%. Most important was the sector concentration of the recovery. Technology stocks were up 43%, while the rest of the S&P managed an 8% return. Energy was down over 30% and financials were negative for the year. Within Technology the returns were highly concentrated in the mega-cap technology stocks. Six technology stocks now account for 25% of the market value of the S&P 500. The concentration risk as well as the potential regulatory risk are something to watch for these companies.

In contrast to the US, the international markets have much less of a weighting to technology stocks. So, US price earnings ratios are sitting near historic highs while international stocks are at about their long-term averages for price earnings.

Dr. Garcia asked Mr. White how he would characterize the overall health of the economy at this time. He described the overall health of the economy as "anemic". 50% of the economy has been adversely affected with 20% decimated by the pandemic, but perhaps 50% of the economy has weathered the storm fairly well. Dr. Garcia then asked how long it would take for the economy to normalize. Mr. White noted that this was very difficult to predict. He expected at least two years before growth returns in the US, with Europe longer because it fell further. In his view the efficiency of the vaccine rollout was the key factor in how long it will take for real growth to resume.

Dr. Garcia also asked about the prospects for employment as the market recovers. Mr. White observed that the market recovery is totally dependent on the actions of the Federal Reserve, and little else. Markets are being propped up by very low rates for other assets. Federal Reserve policy will drive asset prices for the foreseeable future.

Mr. Davis asked about China and its effects on the US companies. Mr. White observed that the new administration appears to want to maintain a relatively hard stance with regard to China, but appears to

be interested in doing so in a less public and confrontational manner. It remains to be seen if the new administration will do this. It also remains to be seen if China will honor its previous trade commitments to the US or will seek to renegotiate terms.

Ms. Liggett asked why the consumer discretionary sector was doing so well given the pandemic. Mr. White observed that consumers saved stimulus money and also upped their personal savings rate initially. Now consumers have thought of ways to spend some of this money – even with the pandemic restrictions. Boat sales and recreational vehicle sales are up. The same with home improvements.

Ms. Ceserani then turned to the quarterly investment report. She noted that most of the funds in the plans have a Morningstar medal rating. In ranking 529 plans Morningstar tends to ignore funds which it has noted rated. In addition, Morningstar looks at the asset weightings in each fund. She noted that the report contains the percentages in each fund. 67% of the assets are in medal-rated funds. Morningstar does not rate insurance contracts such as those in the Capital Preservation Portfolios.

With regard to Morningstar star ratings, she noted that 91% of the funds in the plans have a rating of 3 stars or better.

She then observed that two funds had received Morningstar downgrades. The medal rating for the Vanguard Developed Markets Index Fund had been reduced from Gold to Silver. She noted that Morningstar had comments on the fund's lack of exposure to emerging markets. She thought this odd given that the fund is a developed markets fund.

She also observed that the Principal International Small Cap fund had been downgraded from three stars to two stars. This was based on performance, and had been noted by Mr. Welch.

Ms. Ceserani then reviewed the plans' performance for the board. Her analysis was similar to that provided by the investment managers. She noted the performance of the passive funds as being in line with their benchmarks. She noted that for TEP all active funds produced positive results and outperformed benchmarks except for the TIAA Social Choice Fund and the Vanguard High Yield Corporate Fund. but that the American Funds Fundamental fund and the DFA Core International fund underperformed by more than 1%.

For SE, the passive funds also performed within expectations. Of the nine active funds all had positive performance, but five outperformed and four underperformed their benchmarks. The underperformers were the Principal Blue Chip fund, the Principal Equity Income fund, the Principal International Small Cap fund and the MainStay High Yield fund.

Based on Meketa's proprietary rating system 75% of TEP funds rate Positive or Acceptable. 87.5% of the SE funds were positive or acceptable.

She then turned to the Watch List Memorandum. She noted that three funds continue to qualify for Watch status due to performance issues – the American Funds Fundamental Investors fund, the DFA International Core Equity fund and the DFA Emerging Markets fund. She also recommended that the Vanguard International Developed Markets fund remain on Monitor status. She outlined for the board the reasons for these recommendations. She then recommended that the Principal International Small Cap fund qualify for Watch Status due to performance issues.

The Chair called for a motion to approve placing the four funds discussed by Meketa on Watch and for keeping the Vanguard International Developed Markets fund on Monitor status. Dr. Garcia so moved. Vice-Chair Desiderio seconded the motion. The vote to approve the motion was unanimous.

(At this point the Board took a break from 10:33-10:45 AM.)

## 9) ANNUAL ASSET ALLOCATION REVIEW AND RECOMMENDATIONS

Mr. Lowe began the presentation with a review of TEP investments. He noted that he would be proposing relatively minor changes to the investments. The first is to shift the current allocations of bonds from 67% US versus 33% foreign to 75% US versus 25% foreign. This recommendation is primarily due to the interest rate disparity between US and foreign markets. The US still has positive interest rates, even if extremely low. Many foreign markets have negative interest rates. In addition to the rate differential, if rates begin to rise in foreign markets that will impact the value of foreign bond holdings in a more negative way.

The second recommendation is to adjust the holdings of bonds in the Year of Enrollment and Static Asset Allocation Portfolios from a ratio of 50% New York Life GIA and 50% short-term treasuries to a ratio of 60% New York Life GIA and 40% short-term treasuries. This will have a positive impact on returns since the New York Life product yields over 2% while the short-term treasuries yield almost nothing.

Dr. Garcia asked how confident Mr. Lowe was in recommending the bond shift to 75% US and 25% foreign. Mr. Lowe noted that the Ascensus models indicated that this was a relatively low risk change that would slightly improve the yield in future years.

At this point Ms. Ceserani introduced her colleagues Mr. Benham, Mr. Bebee and Mr. Stevens. Mr. Bebee then reviewed the methodology used by Meketa in reviewing the recommendations for both TEP and Scholar's Edge. He discussed Meketa's assumptions regarding tuition inflation as well as its capital market assumptions. He then described the firm's factor bias analysis on the underlying managers, their funds and in portfolios in the plans. He noted that the firm's models showed the current asset allocations as well as the recommended changes to TEP from Ascensus are acceptable from a performance, risk and fee perspective.

Ms. Liggett called for a motion to accept the recommendations of Ascensus with regard to TEP. Dr. Garcia so moved. Mr. Desiderio seconded the motion. Four of the board members voted in favor of the motion. Mr. Davis voted against the motion. The motion was approved. By majority vote.

The Board then heard from Mr. Welch of Principal. The sole recommendation of Principal is to reduce the overweight in emerging markets in the international stock portion of the asset allocations for the Year of Enrollment and Static Asset Allocation Portfolios. This would be accomplished by changing the ration of the Principal Diversified International fund and the JP Morgan Emerging Markets fund from 80%-20% to 90%-10%. In Principal's view the overweighting had benefitted the Portfolios, but it was now time to remove the overweight.

Mr. Bebee from Meketa then reviewed the proposed recommendation from Principal. He reviewed the application of the Meketa methodology to the Scholar's Edge Portfolios. He noted that Meketa supported the recommendation to remove the overweight to emerging market from the international equity component of the Year of Enrollment and Static Asset Allocation Portfolios.

Dr. Garcia moved to accept the recommendation of Principal with regard to Scholar's Edge. Mr. Desiderio seconded the motion. Four of the board members voted in favor of the motion. Mr. Davis abstained from the vote. The motion was approved.

## 10) SCHOLAR'S EDGE DISTRIBUTION REPORT

The Chair then asked Mr. Schieber to give the SE Distribution Report. Referring to his presentation, Mr. Schieber noted the difficulties of engaging with financial professionals during the past year. Addressing Dr. Garcia's earlier question about why 529 ss had lagged when the markets had recovered so rapidly, the pandemic had made in-person meeting impossible, and the ability to operate remotely for sales had to be

developed. He also noted industry trends, such as the growth of direct-sold plans versus advisor-sold plans. He also observed that the industry data showed that the ease of use of technology had begun to trump performance and fees among financial professionals. Advisors want to do business with those firms that make it easier to do so.

He referenced the fact that the sales team and the advisor consulting team now consisted of 5 individuals – all licensed to sell 529 business. He noted that an internal sales tracking dashboard had been created to monitor the activities of the team.

He then focused on the tactics for generating sales. In the traditional “check and app” environment he noted reaching out to current SE brokers, working with the Principal Financial Network, reaching out to insurance brokers that use Principal products and focusing on retention of existing business.

He then mentioned the “widen the road” activities such as technology enhancements like e-signature and establishing omnibus arrangements with selected firms (in particular the Fidelity NFS firm) as well as pursuing the employer market.

He noted that the technology upgrade to permit special compensation for lump sum contributions had been delayed from 4<sup>th</sup> quarter 2020 into 2021.

Finally, he reviewed the net account activity for 2020. He noted that new account sales had exceeded rollover out activity, but that account closing due to withdrawals of assets continued to exceed new account sales by a wide margin.

At this point Mr. Miller asked Mr. Hewitt to review the proposal to lower the 1% distribution and service fee charge on the C-shares of the Capital Preservation Portfolio. Mr. Hewitt noted that, with extremely low interest rates, even the 1% rate floor on the Capital Preservation Portfolio return was not sufficient to prevent a potential reduction in account value after imposition of the fee. The proposal was to reduce the distribution and service fee for the C-share version of the Capital Preservation from 1% to .5%.

At this point Dr. Garcia made the motion to adopt the proposal. Mr. Green seconded the motion. The vote to approve the motion was unanimous.

#### **11) SCHOLAR'S EDGE QUARTERLY MARKETING REPORT**

Chairman Liggett asked Jori Horn to proceed with the SE Quarterly Marketing Report. Jori gave a review of the 4<sup>th</sup> quarter as well as an overview of the SE marketing budget. She also did an overview of 1<sup>st</sup> quarter activity. She stated that 4<sup>th</sup> quarter marketing activity was in line with the distribution plan Paul covered. She went over the website metrics for 4<sup>th</sup> quarter. She mentioned that she continues to meet with Ted, Carolyn, Paul and the Esparza team on a monthly basis to discuss the website as well as tactics that drive to it. She pointed out that 44,665 of the total sessions on the SE website were organic, meaning that there is no cost (67% was unpaid direct traffic). She explained that direct traffic is when someone types in scholarsedge529.com and organic search is when somebody types in Scholar's Edge 529 Plan into their search engine. She mentioned that 4<sup>th</sup> quarter was the highest for direct traffic and it was up 27% from 1<sup>st</sup> quarter to 4<sup>th</sup> quarter. She also noted that the reputation of SE and the resources that the website provides continues to grow. She pointed out the top ten states with the highest number of people searching for SE and that the top states corresponded to the states with the highest account holders. She went over the top pages visited which include literature and forms, calculators, contributions and FAQ's. She noted that people are interested in the resources on the website and that information is used to target advisors and their clients. She listed the top sources for traffic with direct being the highest followed by organic. She mentioned that 73% of SE web traffic is still coming from desktop which means a large financial advisor base is looking at the site during work hours. She



mentioned that calculators continued to be one of the tools that was highly searched. The college savings calculator had just under 600 sessions with an 83% completion rate. She noted that she will continue to monitor and look for any updates that need to be made. She listed the top documents downloaded from SE website which included the asset allocation flyer, investor brochure and enrollment kit.

She pointed out that the 4<sup>th</sup> quarter holiday campaign was the strongest performing campaign of 2020. She noted that the video was played at the last board meeting and the theme was helping clients to focus on what really mattered during the holiday season; celebrating family and the little things that mean the most. The campaign was focused on financial professionals as well as consumers with gifting of 529's being a strong focus during the holiday season. The campaign included social media, paid search and e-mail. She noted that the campaign overall had 19.8 million impressions, over 21,000 clicks to the SE site and 3.8 million views of the holiday video. She also noted that there was a 155% increase in clicks as well as a 95% increase in page views compared to the Back-to-School campaign. She also noted that the holiday campaign was also very focused on diversity across families and religions and that this will continue with other materials and campaigns. She mentioned that search overall contributed to 33,000 page views. She noted that there was a slight decline in paid search but the number is still very high. She pointed out that the brand campaigns had a surge in volume which led to an increase in clicks and page loads as a result of the awareness from the holiday videos. She mentioned that two different videos links and two different images were tested to compare which types drive more traffic to the website. She noted that for all of the programmatic and display advertising, videos drove more traffic but static ads worked better for native. Programmatic ran on CNN, CNBC, Market Watch, Yahoo and Forbes and had high impressions and clicks. She pointed out that video had 2.3M video views from these sites. Display was run through US News and static ads had over 304 clicks and 850k impressions; video had over 336k views. She noted native is run through Dianomi and there was an uptick in performance with 2,500 clicks from static and 321 clicks from video. She mentioned that social media ran on LinkedIn and Facebook and was one of the highest channels for the quarter. LinkedIn had over 64k video views from targeted financial advisors from CRM list. She also noted Facebook had over 540k video views with highest audience of W50-65. She mentioned a dedicated email was sent to 6,500 financial professionals and had a 20% open rate.

She mentioned that the education webpage was launched during the 4<sup>th</sup> quarter to provide education materials for financial professionals and their clients. Dr. Sandy Chafouleas, a renowned psychologist, did a webinar about navigating the school year and a resource document and executive summary was created and added to the site. She noted that they are promoting the value-added material with advisors through their home offices.

She also reviewed the budget. A little over \$421,000 was spent in 4<sup>th</sup> quarter. She noted the spend was quite a bit higher in 4<sup>th</sup> quarter because the holidays are an important time for 529's and more money is allocated in 4<sup>th</sup> quarter. For the first half of this fiscal year, \$691,455 was spent. She noted that per the contract for the current FY, \$1.236 million must be spent. She also noted the budget planned for the second half of the FY is just under \$550,000 which will exceed the spending of the contractual amount and Principal will cover the overage. She paused for questions and moved on.

She went over plans for 1<sup>st</sup> quarter and pointed out that marketing materials align with the distribution efforts. She noted that a customizable flyer was created for PAN and Advantax. In addition, the Commonwealth home office recently released DocuSign for e-signature for ease of use. An email was sent to all Commonwealth advisors highlighting the simple three-steps to enroll in SE through the Commonwealth system. For New York Life, a new enrollment guide with easy steps to enroll including

firm's eApp information and e-signature was created and distributed. Mass Mutual is developing content for their internal newsletter and indicated they would like to do a SE seminar. She mentioned the Yeti campaign where Yeti's were shipped to sales directors in select distribution territories and handed out during 529 meetings with clients. All financial professionals tracked activity with a Salesforce campaign. She noted a success story with a wholesaler who brought in \$2 million to SE from one of the financial professionals at a meeting. Ms. Horn asked Mr. Schieber if he had anything to add. Mr. Schieber emphasized how integrated sales is with marketing and with Ascensus. He noted that everything needs to be funneled in a very organized and aligned way and that is what is happening.

Ms. Horn mentioned the release of an Employer Plan brochure that will be used to promote SE with employers. The brochure has step-by-step instructions a business needs to follow in order to set up payroll direct deposit and offer SE as a benefit to their employees. Ms. Horn asked Mr. Bollin if he would like to say anything. Mr. Bollin pointed out that they have had robust discussions with the retirement side of the business and there has been a lot of positive traction.

Ms. Horn continued to go over the educational materials that were created. She pointed out an infographic of how to help children with their current learning environment. She also mentioned a webinar in partnership with Paul Curley at ISS about family dynamics and gifting, expanding relationships through family referrals and generational wealth transfer. She mentioned the ongoing web enhancements and interactive glide path. She pointed out that a new page was created for the glide path within the navigation under investments and it should be going live on Monday. She also pointed out that there is a slider and you can select the number of years until enrollment and move anywhere along the glide path at any time and it will tell you the asset allocation. Ms. Horn mentioned the recently-released and updated education page. She pointed out that two videos, an infographic, a resource guide and additional content have been added to the page. She said these new tools will be launched in an upcoming newsletter to financial professionals highlighting the tools and resources available to have 529 conversations with their clients. She announced that she is partnering with Carolyn to combine resources of SE and TEP to expand into other topics such as saving as a family. She mentioned they are adding email functionality to the enrollment pages both professional and consumer. She said advisors and consumers will have the ability to email directly from the site and there will be links to the enrollment kit in those emails that will auto populate. She also noted that they are considering a form fill for that page. She showed images of the upcoming 1<sup>st</sup> quarter campaign that included two different creatives and two videos one with a girl and one with a boy both learning at home. She noted that it all ties back to the education materials that were created about today's learning environment and how children are developing new skills that will help them succeed in college and beyond. She mentioned that these ads are starting to go live across multiple partners. Ms. Liggett thanked Ms. Horn and moved to The Education Plan Marketing Report.

## **12) THE EDUCATION PLAN QUARTERLY MARKETING REPORT**

Ms. Fittipaldi gave an update on outreach activities. She noted that the marketing mix continues to work with 298 new accounts in January - a 17% increase over last year.

She provided an update on the Sandia Labs new account numbers. She noted that Sandia has added 172 new accounts since June averaging about 25 new accounts per month. She gave an update on the State of New Mexico. She mentioned the State Employee Benefits Bureau featured TEP in the November email to all state employees and attached the TEP flyer with the email. She also noted that she made a presentation during the monthly HR meeting for all state and local public body HR administrators. She mentioned she made employee presentations to Families & Youth Inc and Dekker/Perich/Sabatini and

that there is a presentation scheduled with Curry County.

She mentioned that she met with Nusenda Credit Union to discuss a partnership which could include college savings webinars for their members and employees, inclusion on their website financial resources page, social media as well as outreach to members. She noted that they are also open to discussion about a partnership with TEP on a scholarship for those with financial need. She mentioned that she met with the regional president of Washington Federal to discuss a similar partnership. She also noted that there have been discussions with various private and non-profit organizations and foundations about a scholarship program to be awarded to New Mexico students and families with financial need and would include a financial literacy component. She noted that in order to make this work, it needs to be funded by a community partner or partners.

She mentioned participation in two New Mexico Association of Counties conferences that included a dedicated TEP-branded page with content and links that will stay up all year. She noted a follow up email was sent to over 600 attendees. She mentioned she made a presentation to Public Charter Schools of New Mexico members and sponsored their virtual annual awards. She noted that they are also interested in establishing a TEP scholarship for their students. She mentioned she did a five-minute interview on KRQE in December about giving the gift of education.

Ms. Fittipaldi mentioned the discussion at the last meeting about account demographics and shared some account data that she believes addresses some of those concerns. She mentioned that Ascensus revised the reporting to include more detail about account holders that helps TEP identify trends and shift priorities based on those trends. She noted these reports are bi-weekly and monthly. She shared zip code data on a map that indicates TEP accounts in all 50 states and territories with New Mexico having the most accounts and a total of just under 25,000 accounts. She pointed out the top 10 states and the percentage of accounts by state compared to the top 10 states by session and users on the TEP website. She pointed out that it shows the TEP targeted digital marketing is working and TEP is reaching people in those states that are targeted in addition to other states. She shared a slide that shows TEP accounts in 167 cities in New Mexico with Albuquerque having the largest number of accounts and noted the great coverage throughout the state. She shared a slide with an estimate of the ethnicity breakout for 529 account holders in New Mexico derived from two sources. The data from a recent Scarborough Survey showed 25% of the 529 account holders in New Mexico identify as Hispanic. She also shared results of a non-scientific review of Hispanic surnames of account holders from August through January monthly reports from Ascensus. She mentioned that Dr. Garcia suggested the review of the surnames at the last board meeting. She estimated an average of 25% of the TEP new account holders have a Hispanic surname based on a review of that data. She completed her report and passed it over to Sunny 505 and Esparza to give their reports.

Ms. Griffin acknowledged the time was 1:03 and the meeting is supposed to end at 1:05. She asked if it was OK to go over. Mr. Miller said yes, the board should hear the reports. Ms. Griffin shared a public relations report for the FY starting July 1 through the end of December, 2020. She mentioned PR works hand in glove with paid advertising, web strategy and digital. She noted that every press release is sent nationwide with amazing pickups. She gave an example of the most recent press release that was picked up by the AP and went national in a big way. She mentioned that 11 news releases on a variety of topics were sent out July through December of 2020. She noted that 611 news stories were placed all over the country with total impressions of over 706 million. She noted that if TEP paid for that advertising it would have cost \$6.5 million. She also noted that the PR value, which is 10 times as valuable as a paid ad, was \$65 million. She pointed out that people read a news story and then visit the TEP website and the PR

mentions on the website help with SEO. She noted that PR, traditional media, website and digital are all working together to produce great results. She concluded and passed it on to Jerry Matthews to continue with the traditional media report.

Mr. Matthews highlighted the gifting campaign that ran in November and December with a 15 second and 30 second commercial in English and Spanish as well as outdoor that ran in Albuquerque and Las Cruces and statewide print and radio. He mentioned a tax message is in development for Q1 of 2021. He played the commercial. Ms. Griffin mentioned that watching a video in Zoom is choppy but the real commercial isn't choppy. Mr. Matthews shared the print ads, outdoor ads and digital ads. He did a recap of the gifting campaign. He noted it ran on broadcast TV statewide and in El Paso, on cable in Las Cruces, Albuquerque Metro and Santa Fe and on radio and print statewide. He pointed out a new platform that was added in Albuquerque called Ad Wallet which pays consumers to watch commercials. He noted that there was a really good completion rate with 88% of the people liking the ad and it generated emails to add to the TEP database. He noted that everything is driving traffic to the TEP website and the biggest chunk of the traffic from traditional media is going directly to the TEP website. He mentioned that a big cut of the 1<sup>st</sup> quarter media plan is going to broadcast and cable with a little increase in spend on print and outdoor. He noted that a couple of new publications were added; including the Round the Roundhouse which goes to all state employees and an increase in spend in Albuquerque Business First to reach business consumers.

He shared zip code information on one map which showed zip codes of those who enrolled in the last 5 months and another map which showed the zip codes where the current advertising is. He pointed out that where the money is being spent to reach people is where the new accounts seem to be coming from. He noted that there are some opportunities to reach people where there are holes in coverage and work is being done to increase presence in those areas. The presentation was then turned over to Esparza.

Mr. Esparza mentioned that TEP enrolled 811 new accounts in the 4<sup>th</sup> quarter of 2020 and over the first six months of 2021, 1,433 new accounts have been added; a 55% increase in new accounts. He noted that the goal was a 9% increase. He also noted that December marked the highest average conversion rate at 3.4% and two years ago it was under 1%. He mentioned that the goal is 2% and continuing to keep that conversion rate high, the numbers will continue to increase. He pointed out that SEO, paid search and Google drove a tremendous number of new users. He shared a couple of graphs that showed TEP is trending very well with account growth. He pointed out that October FY21 is up 53%, November up 152% and December up 6%. He noted that only 735 new accounts are needed to reach goal for the year and the charts illustrate the direction TEP is going is the right one. Mr. Esparza handed it over to Mr. Rushad-Gros to continue the presentation.

Mr. Rushad-Gros mentioned the charts do not include January's numbers which were also really great. He pointed out that with those numbers TEP is about 80% towards goal with 5 months left. He reviewed the Q4 gifting campaign that ran in December and was focused on social media engagement; increasing posts, likes and comments on Facebook, LinkedIn and Instagram. He discussed the continued improvements on the website with optimizations which included adding all press releases, additional articles, webinars and other information. He mentioned recently completed website projects which included a Tax Advantages page, RIA (Registered Independent Advisor) page and a Refer-a-Friend Campaign. He noted that this content creation was based on data from Ascensus on reasons people heard about TEP. He mentioned the Q4 gifting campaign had 24 different ads running to test different colors, demographics and age groups. He showed some of the ads with the highest clicks. He mentioned the gifting landing page was updated with new content and gifting coupons and UGift continues to be

promoted. He noted that the gifting landing page experienced 1,544 page views, with 951 users entering the website for the first time through this campaign. He mentioned social media is a big focus and shared some content with animated slides and infographics that generated about 159 new users when it launched and it kept going into January with an additional 200 users. He noted that website content has been a key area. He mentioned the introduction of a new media kit and brochure also available in Spanish. He also mentioned a prerecorded webinar featuring Ted and Carolyn that's on the homepage. He noted the 10-minute video has been played to completion 600 times in Q4 to completion. He mentioned working with the NM Higher Education Department to update web content about TEP, providing helpful information, including a video, and direct, SEO-friendly, links to the TEP website. He mentioned that people stayed on the Sandia Labs page for an average of 6 minutes reviewing the information. He noted that the gifting page had 600 more users over November/December. He pointed out that the "How to Put Money in a 529" page jumped to the second-most used page with 1,698 page views and it came from organic traffic which means the SEO work is kicking in. He reviewed SEO, and noted that TEP has over 2,000 keywords ranked on Google and 21 of those keywords are in the very top three rankings on Google. He noted two big spikes of traffic on the Sandia Labs page, one in August and one is November, that came from internal promotion from their HR director. He reviewed digital marketing and noted on the pie chart that social media and email were a little sliver of the pie that used to be non-existent before and have become a focus. He also reviewed the RIA page which links to Ascensus's tool, 529 QuickView, and pointed out that this will continue to be monitored and optimized. He shared the Refer-a-Friend Campaign which has a strong tie to social media. The campaign was created to be shared easily on social media with friends and family with a one sheet and buttons with a prepopulated message for effective sharing. He mentioned the new lead generation quiz that was introduced by Ted after he saw a financial quiz on CNBC.com. He mentioned that the plan is to roll out a lot of these quizzes as a way to grab bits of data and interact with people- something called "progressively profiling". He pointed out that the digital marketing channels will continue running with a focus on content and SEO, data analysis as well as website development and management. He mentioned a video series being developed with Carolyn in a Q & A format providing quick snippets on different topics and the email communications to account holders which will be a big focus.

Dr. Garcia made a comment that things are coming together and that a glance at the map shows that TEP appears to be hitting Native-American communities as well and the whole state reasonably well. He congratulated everybody associated with it and said he is really happy with this. Ms. Liggett agreed.

### **13)ADJOURNMENT**

Ms. Liggett asked if there were any other questions. There being none, she called for a motion to adjourn. Mr. Davis so moved. Dr. Garcia seconded the motion. The vote to approve the motion was unanimous. The meeting adjourned at 1:30 pm.