

The Education Trust Board of New Mexico

THE HONORABLE MICHELLE LUJAN GRISHAM
GOVERNOR OF NEW MEXICO

STEPHANIE RODRIGUEZ, CABINET SECRETARY
NEW MEXICO HIGHER EDUCATION DEPARTMENT



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

NATALIE CORDOVA
EXECUTIVE DIRECTOR

Meeting Minutes of
August 3, 2022
33 Plaza la Prensa
Santa Fe, New Mexico 87507

Board Members

Gary L Gordon, Chair
Robert Desiderio, Vice Chair
Dr. Jose Garcia, Member
Lawton Davis, Member
Mont Green, Member

ETB Staff

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

Meketa Investment Group

Kay Ceserani, Managing Principal
Eric White, Principal

Hogan Lovells

Helen Atkeson, Partner

Sommer, Udall

Kurt Sommer, Partner

Ascensus

Tom Hewitt, VP Relationship
Management

Tom Lowe, VP Investment
Management

Morton Accounting Services

Janet Pacheco-Morton, CPA

Esparza Advertising

Ashley Sterling, Account Executive
Del Esparza, CEO

Sunny505

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

Principal

Randy Welch, Managing Director
James Fennessey, Portfolio Manager
Scott Smith, Co-Portfolio Manager
Jori Horn, 529 Marketing Director

1) CALL TO ORDER

The meeting was called to order at 8:32 AM. Mr. Gordon, Mr. Green and Mr. Davis were present. There was a quorum with three of the five board members present.

2) APPROVAL OF AGENDA

The agenda was approved unanimously.

3) APPROVAL OF MINUTES

A motion to approve the minutes of the June 8, 2022 board meeting was unanimously approved.

4) PUBLIC COMMENT

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

Dr. Garcia arrived at 8:34 AM.

5) EXECUTIVE DIRECTOR'S REPORT

Ms. Cordova provided an informational update regarding the escheatment process and an update related to Morningstar request for information. Mr. Gordon mentioned having a retreat style meeting in the fall to discuss longer range principles and get to know each other's backgrounds. He also mentioned the annual audit entrance conference was held Monday, August 1st. (Mr. Desiderio arrived at 8:45 AM.)

Ms. Pacheco-Morton first presented the quarterly financial statements for the Board's program administrative fund and then presented the financial statements for the fiduciary funds. Mr. Lawton discussed the GASB 87 accounting and the miscellaneous category with Ms. Pacheco-Morton and Ms. Cordova. Mr. Gordon called for a motion to accept the unaudited financial statements as presented. Mr. Green so moved. Mr. Davis seconded the motion. The vote to approve the motion was unanimous.

6) "AMERICAN FUNDS" (TEP – Active Equity Portfolios) REPLACEMENT DISCUSSION

Mr. Lowe provided information and discussion regarding the American Funds replacement selection. He gave information on background, search and recommendation to replace American Funds with Vanguard. Mr. Davis asked questions about Ascensus' selection process and committee. Mr. Green asked a question about style-drift related to the funds being discussed. Ms. Ceserani mentioned that Meketa agrees with recommending Vanguard as the replacement fund. Mr. Gordon requested a motion to accept and approve the recommendation of Vanguard as the replacement fund. Mr. Desiderio so moved. Mr. Davis seconded. The vote to approve the motion was unanimous.

7) PROGRAM MANAGER'S QUARTERLY OPERATIONS AND INVESTMENT REPORTS

Mr. Hewitt presented the FY22 Q4 program manager's operations report. Mr. Lowe presented the FY22 Q4 investment report for The Education Plan. Discussion was had regarding the current environment of inflation and recession. Mr. Welch, Mr. Smith and Mr. Fennessey presented the FY22 Q4 investment report for Scholar's Edge.

Mr. Gordon requested a 5-minute break at 9:45 AM. The meeting reconvened at 9:50 AM

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

- a) Mr. White presented the market and economy report. Discussion was had between Board members and Mr. White regarding the current environment.
- b) Ms. Cesarani presented the FY22 Q4 investment consultant’s report and watch list recommendations. Mr. Gordon requested a motion to accept the watch list recommendations that the American Fundamental Investors, Principal International Small Cap, and JP Morgan Emerging Markets Equity funds remain on “Watch” status, the PGIM Global Total Return fund be added to the “Watch” list and the Principal Real Estate Securities be removed from “Watch” status. Mr. Lawton so moved. Dr. Garcia seconded. The vote to approve the motion was unanimous.
- c) Ms. Ceserani mentioned the Investment Policy and Monitoring Guidelines. Mr. Gordon requested deferring action on the approval with review in depth at the November meeting. There was no dissent on deferring action.
- d) Ms. Ceserani presented the Plan Rating Methodologies Report. She mentioned that The Education Plan and Scholar’s Edge has received good ratings from Saving for College.

9) SCHOLAR’S EDGE MARKETING, SALES AND DISTRIBUTION REPORT

Ms. Horn presented the Q4 sales report and the marketing report.

10) THE EDUCATION PLAN MARKETING REPORT

Ms. Fittipaldi discussed the outreach updates. Ms. Vega-Garcia presented the Q4 Public Relations report for Sunny 505. Mr. Matthews presented the Q4 Sunny 505 traditional marketing report. Mr. Esparza and Ms. Sterling presented the Q4 Esparza digital marketing report.

11) FY 2024 BUDGET APPROPRIATION REQUEST

Ms. Cordova presented the FY2024 appropriation request. She mentioned that the appropriation request is due to DFA and LFC September 1, 2022. Discussion occurred regarding the budget request amounts related to marketing and maintenance costs. Mr. Gordon called for a motion to accept the appropriation request as presented. Mr. Davis so moved. Dr. Garcia seconded the motion. The vote to approve the motion was unanimous.

12) ADJOURNMENT

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