



Legislative Finance Committee
October 24, 2018

Pension Consulting Alliance, Inc.

Education Trust Board of New Mexico
Barbara Damron, PhD, RN, FAAN - Board Chair
Ted Miller, JD, LLM - Executive Director



Table of Contents

529 College Savings Program Overview	3
Accomplishments and Goals	14
New Mexico 529 Program Structure	25
Appendix	
Investment Performance Update	37
Governance and Oversight	45





529 COLLEGE SAVINGS PROGRAM OVERVIEW





What is a 529 College Savings Plan?



- A 529 Plan is an education savings plan operated by a state or educational institution designed to help families set aside funds for future college costs. There is no minimum contribution required in the New Mexico 529 program.



- 529 assets can be used to pay for the expenses of post-secondary education – public or private.



- All earnings and withdrawals from a 529 plan are free from federal and state income taxes if used to pay for qualified educational expenses.



- Contributions by a New Mexico tax payer may be deducted from income for New Mexico individual income tax purposes if used to pay for qualified higher education expenses.





Qualified Higher Education Expenses

- Tuition and fees
- Room and board
- Books and supplies
- Computer technology, equipment, or internet access
- Expenses for special needs services
- K-12 Tuition and rollover to an ABLER account (new federal law)





Recent Federal Tax Law Changes

- Up to \$10,000 can be distributed annually from a 529 account toward paying tuition for K-12 schooling; and
- Up to \$15,000 annually can be rolled over from a 529 plan to an ABLE account belonging to the beneficiary of the 529 account.
- New Mexico tax treatment of 529 plans is part of New Mexico tax law and not part of the 529 enabling legislation.
- New Mexico tax law permits a deduction for contributions made to the NM 529 plan to pay for “qualified higher education expenses”.
- New Mexico Tax and Revenue Department has issued an advisory letter to NM ETB that the deduction does not apply to contributions made to the New Mexico 529 program for K-12 tuition or ABLE rollover. Any amounts deducted for these purposes are subject to recapture by the state.





NM ETB Responsibility and Structure

- The Education Trust Board (NM ETB) is the governing body for New Mexico's 529 college savings programs
- The NM ETB does **not** receive state general funds. By statute NM ETB must fund its efforts **entirely** from program fees.
- The NM ETB Acts as a fiduciary of the Education Trust.
- The NM ETB is responsible for implementation, administration and marketing of the plans established under the Education Trust Act.
- The NM ETB is administratively attached to the New Mexico Higher Education Department.
- Secretary of Higher Education Department or the Secretary's designee is the Board Chair.
- Other members are appointed by the Governor (2), Senate Pro Tem (1), and Speaker of the House of Representatives (1).





NM ETB Program Manager

OppenheimerFunds serves as the program manager for the NM college savings program and is responsible for:

- Program Administration
- Customer Service and Recordkeeping
- Investment Management
- Marketing and Distribution





NM ETB Program Manager

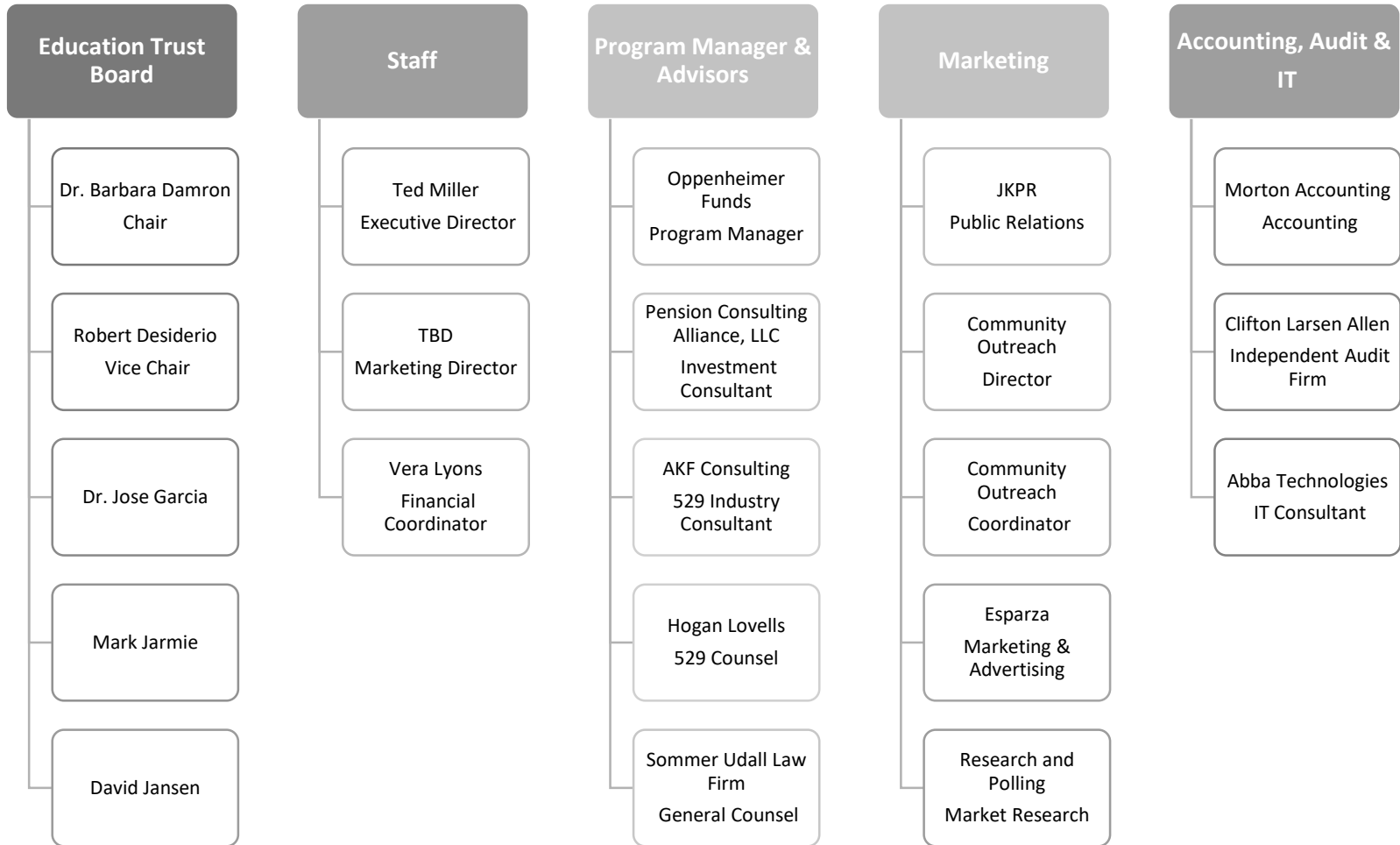
Invesco to Acquire OppenheimerFunds

- On October 18, 2018 Invesco (a large investment management firm) announced its agreement to acquire OppenheimerFunds from its current owner, Mass Mutual Insurance for \$5.7 billion
- Invesco is the program manager for the \$7+ billion RI 529 program
- This transaction places the two 529 programs in direct conflict in the national sales market
- NM ETB is evaluating its options with regard to this development





NM ETB Members, Staff, & Advisors





Partner Responsibilities

Program Manager (since 2005)

- Program Administration
- Customer Service and Recordkeeping
- Investment Management
- Marketing and Distribution

Fiduciary Oversight

- Executive Director with extensive industry knowledge
 - 18 years legal/business experience in large financial services firm
- NM Fiduciary Counsel
 - emphasis on trust and fiduciary matters
 - 30+ years experience
- 529 Counsel
- Accounting Consultant assist with monitoring the trust
- Due diligence site visits for operations and investment management

Investment Consultant (since 2012)

- Investment policy development and maintenance
- Recommendations regarding the breadth and construction of investment options
- Investment benchmarking
- Underlying fund evaluation and monitoring
 - Investment performance
 - Risk factors
- Glide path analysis
- Annual program manager analysis
- Board/staff investment education

529 Industry Consultant (Since 2012)

- Program design
- Strategic consulting
- Annual industry landscape analysis
- Annual fiduciary training (Board and staff), including regulations and best practices
- Monthly calls on industry developments
- Regulatory and legislative updates
- Peer program developments and analysis
- Distribution strategies





NM ETB Compensation and Fees FY 2018

Paid from NM ETB administrative fund (a non-reverting enterprise fund)

- **Employees**
 - NM ETB Executive Director earned \$87,000 per year
 - NM ETB Financial Coordinator earned \$62,000 per year
- **Professional Services Fees**
 - Investment Consultant and 529 industry consultant \$196,968 + GRT
 - 529 Counsel \$164,319 + GRT
 - Marketing Firm \$50,000 + GRT (Oppenheimer also provides \$650,000 annually for NM ETB-directed marketing efforts)
 - Web Hosting and Maintenance Firm \$60,000.
 - All other vendors are under small contracts for professional services with maximum fee of \$50,000 + GRT

Paid by program participants

- **Program Manager Fees**
 - Oppenheimer program fees to participants disclosed in plan documents subject to federal securities law disclosure requirements
 - Neither the state nor NM ETB incur costs for Oppenheimer's services as program manager





Transparency – Online at nmetb.org

- Investment Policy Statement and Monitoring Procedures and Criteria
- Program Manager Quarterly Reports – including asset and account numbers and investment performance
- Current RFPs and supporting materials
- IPRA Policy
- Audited Financials
- ETB Open Meeting Resolution, Agendas and Minutes
- Plan expenses and detailed program information contained in plan disclosure documents (online at theeducationplan.com and scholarsedge529.com)





ACCOMPLISHMENTS AND GOALS





NM ETB Mission, Vision & Goals

MISSION

The New Mexico Education Trust Board (NM ETB) is responsible for New Mexico's 529 College Savings Program. Our mission is to make post-secondary education more attainable by offering a flexible, low-cost, tax-efficient way to save for the costs of higher education.

VISION

NM ETB believes that higher education improves the lives of our children and ultimately benefits the citizens and the economy of New Mexico. Our vision is to enable as many New Mexican children as possible to become beneficiaries of 529 College Savings Accounts before age 10, and to promote continued contributions to the Accounts until post-secondary education is complete.

GOALS

To show consistent year-over-year growth in new account owners in New Mexico.
To be recognized by industry experts/national rating services as a top rated program for both in-state and out-of-state residents.
By the end of FY 2020 to become one of the top15 college savings programs in the country by assets and accounts.





FY2018 Accomplishments

- ✓ Made TEP Index and Blended investments competitive nationally both in design and in price
 - Incorporated Vanguard index funds into both offerings – TEP Index fees reduced 50% and TEP Blended fees reduced 38%
 - **Eliminated \$25 small account fee**
 - **Eliminated “wrap” fees on non-Oppenheimer funds**
- ✓ **Eliminated \$25 minimum contribution** amounts for both plans
- ✓ Total Annual Fee Reductions
 - Old Fees: **\$3,264,000**
 - New Fees: **\$1,936,000**
 - Annual Savings to Account Owners: **\$1,328,000**
 - **41% Fee Reduction**





FY2018 Accomplishments (continued)

- ✓ Launched new TEP website
- ✓ Continued to increase the professionalism of NM ETB
 - Quarterly and annual board financial reports for trust fund and administrative fund
- ✓ Embraced strategic asset allocation as the guiding principal for plan design
- ✓ Improved asset allocation and glide paths
 - Better diversification
 - Smoothing the glide paths on the age-based tracks
- ✓ Began the process of making Scholar'sEdge a unique and compelling choice for advisors
 - **Reduced A share commissions from 4.75% to 2.50%-3.50% depending on the portfolio**
 - Launched convertible C share class with 5 year conversion to A share





FY2019 New Mexico 529 Program Goals

- Implement a 529 grant program for low to moderate income New Mexico residents
- Complete strategic asset allocation review, and implement recommendations in both TEP and SE
- Complete stable value review, and implement recommended changes in both TEP and SE
- Further enhancement of TEP website to improve understanding of investment options and streamline the enrollment process
- Increase 529 program awareness in the community and with NM employers through outreach and PR efforts





FY2019 New Mexico 529 Program Goals

- Make SE a unique and compelling choice for advisors
 - Pursue omnibus account relationships
 - Pursue fee reductions, small account fee and “wrap” fees
 - Add additional outside funds to investment mix where appropriate
 - Pursue use of ETFs
 - Add a share class suitable for RIAs





NJHS Annual Grant Program

- Established in 2015.
- Selection is based on the 5 pillars of NJHS:
Scholarship, Service, Leadership, Character and Citizenship.
- One-time award recognizes **500** exceptional NJHS students nationwide with a **\$500** award placed in a **529** college savings account with The Education Plan
- Provides a vehicle for college savings at an early age
- Application period is from approximately December – February each year.





Program Results

Results to Date for 3 Years

As of August, 2018

- 1,417 total accounts established
- \$226,000 in *Additional* contributions beyond the award
- Only 8 non-qualified redemptions in the history of the program



The Education Plan®
Save today for your child's tomorrow





Recognition for New Mexico Winners





Overview of Typical State Grant Programs

- At least 10 states have 529 grant programs
- The state establishes rules and regulations for awards
- The grant awards are invested into the state 529 program
- Award money grows over time
- Awards can be claimed by recipients who fulfill the award conditions
- Payments are made by the state directly to institution
- Several states encourage formation of parental 529 accounts by means of a “matching grant” program





Implementing a NM 529 Grant Program

- Evidence-based research shows that students with at least \$500 saved for education are **3 times** more likely to enroll in college; AND are **4 times** more likely to graduate from college than their counterparts with no college savings accounts *
- Counsel have advised NM ETB that the current enabling legislation does not provide authority to create a 529 grant program
- NM ETB requires statutory authority to create a grant program
- This is key to helping low and moderate income New Mexicans create college savings

*
Elliot, W., Song, H., Nam, I., 2013, Small-Dollar Children's Savings Accounts, Income, and College Outcomes (Center for Social Development)






NEW MEXICO 529 PROGRAM STRUCTURE





New Mexico 529 Program Structure

- The New Mexico College Savings Program consist of two separate plans:
 -  **The Education Plan**[®] (TEP) – sold directly to participants
Save today for your child's tomorrow
 - **SCHOLAR'S EDGE**[®] (SE) – sold through commission-based investment advisors
- Most participants in each plan select an age-based portfolio option:
 - Utilizes a glide path structure typically 20 – 22 years in length
 - Adjusts asset allocation over time away from volatile equities and toward more stable fixed income/short-term bond classes near the “draw down” period (college age)





Plan Options



- Direct-Sold Plan
- Assets – \$560 million
- Accounts – 22,353
- 3.5 ★'s Avg. Morningstar rating
- 58% funds medal rated



- Advisor-Sold Plan
- Assets – \$1.9 billion
- Accounts – 104,976
- 3.8 ★'s Avg. Morningstar rating
- 30% funds medal rated

- Two age-based tracks offered in TEP and one in Scholar'sEdge
- TEP and Scholar'sEdge age-based glide paths have 10% equity roll downs
- Participant shifted to next stage of glide path on birthday
- TEP index balanced age-based default investment option
- New Mexico enhanced tax benefit
 - Raised maximum contribution limit to \$500,000 in 2017
 - Contributions fully deductible in computing New Mexico taxable income





Underlying Money Managers



- Oppenheimer Funds
- Vanguard



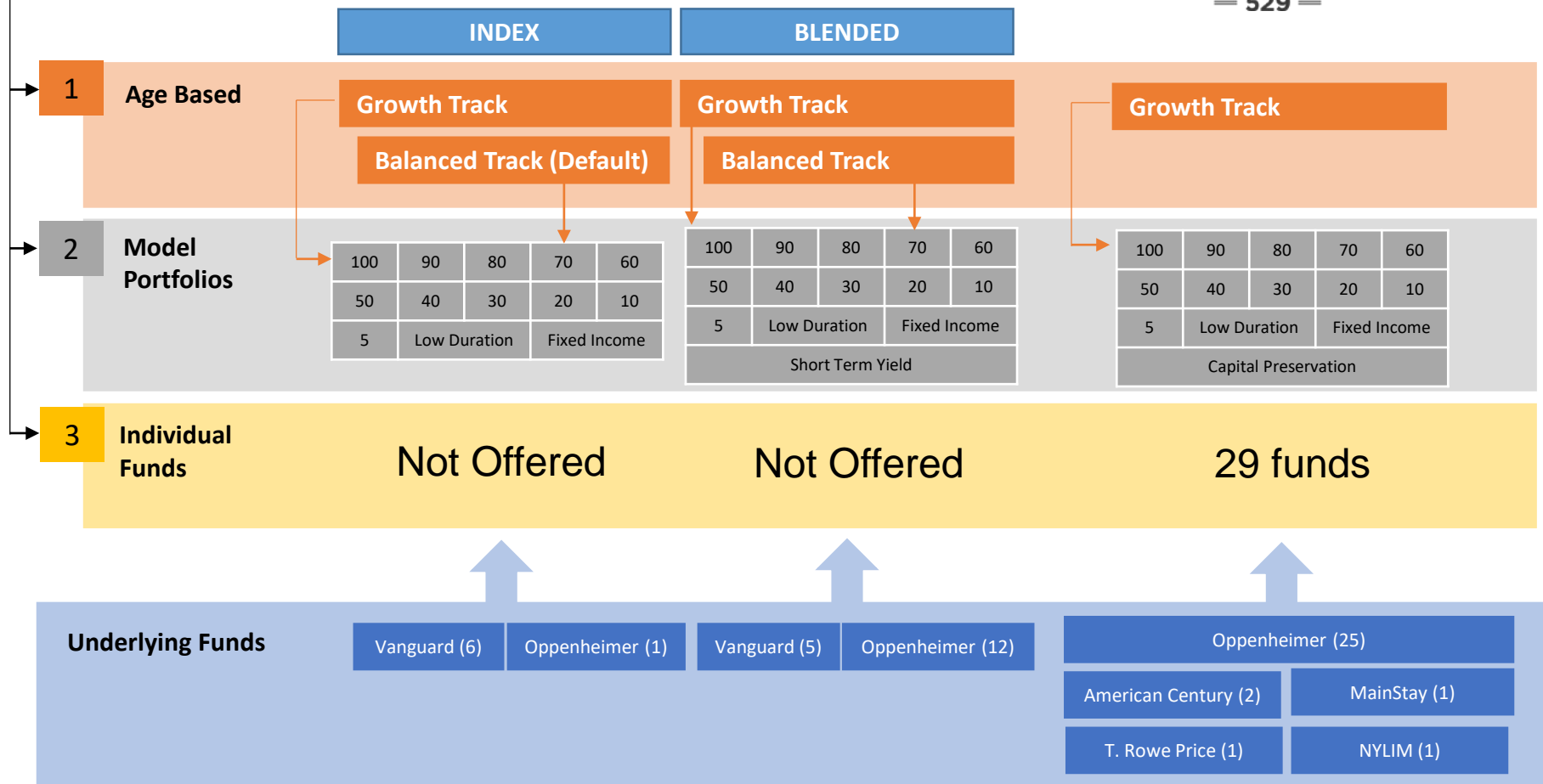
- Oppenheimer Funds
- American Century
- MainStay
- T. Rowe Price
- NYLIM Funding Agreement





Investment Options

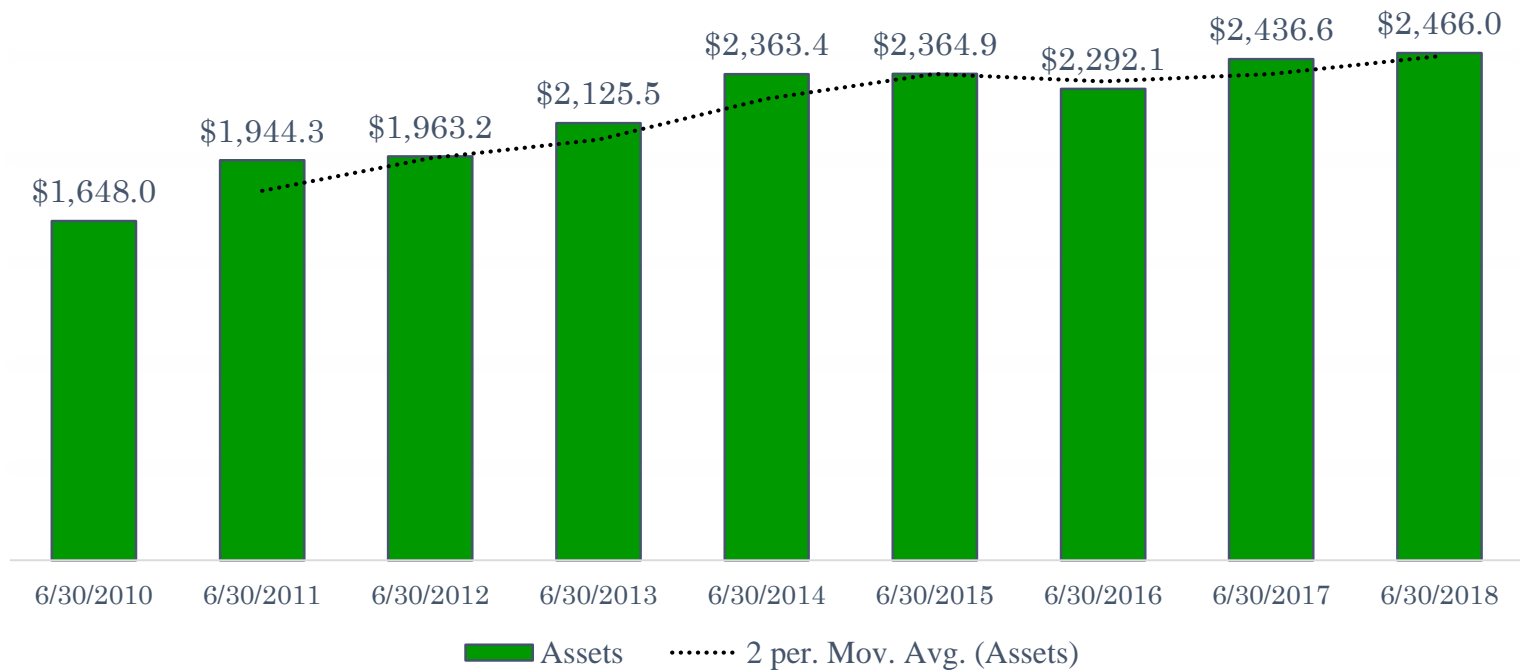
Three ways to invest for participants





TOTAL 529 TRUST ASSETS

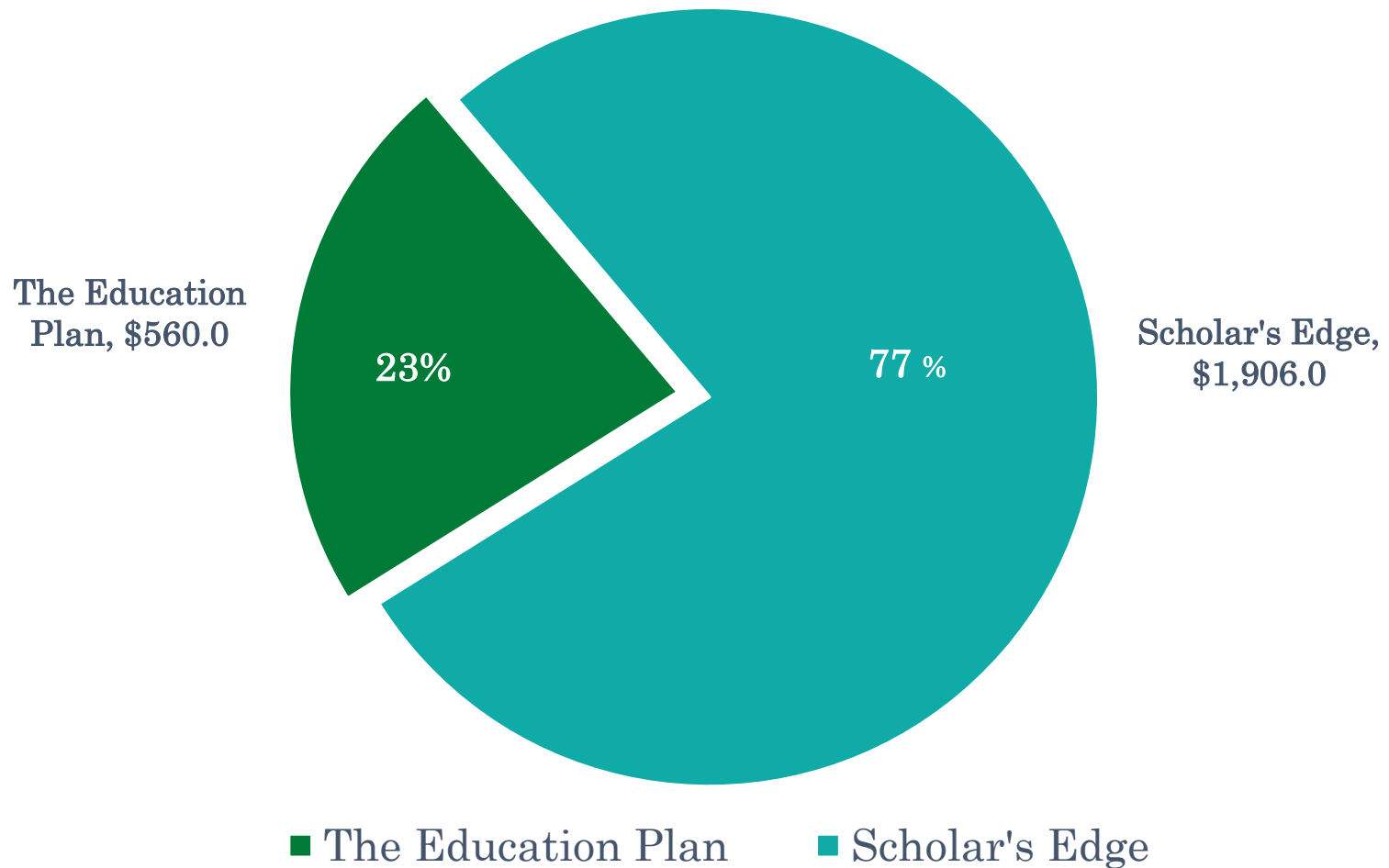
(IN MILLIONS)





TOTAL EDUCATION TRUST ASSETS BY PLAN

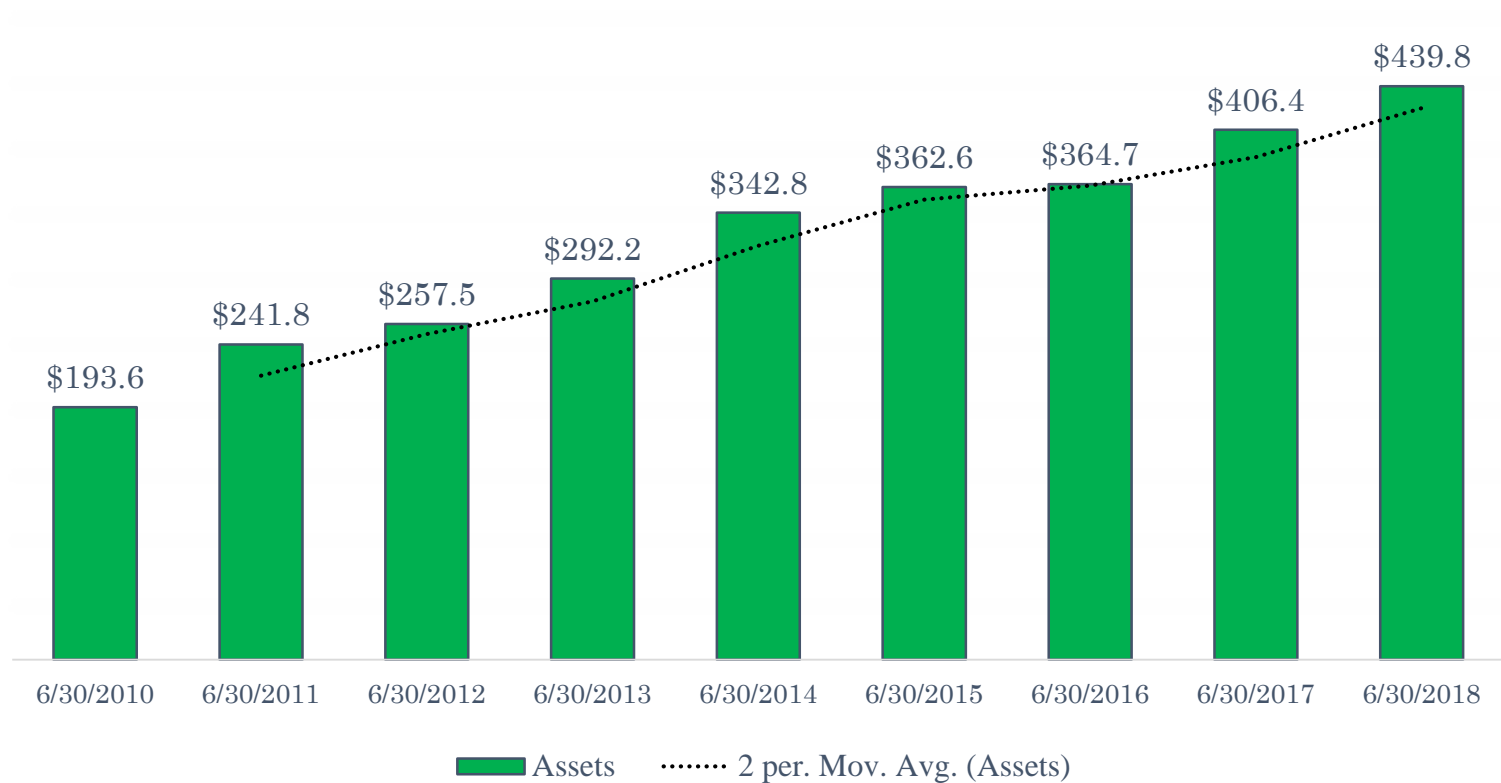
(IN MILLIONS)





NM RESIDENT 529 TRUST ASSETS

(IN MILLIONS)





FY2018 New Mexico Resident Utilization

NM Account Highlights

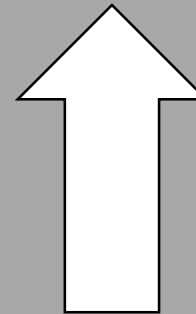
21,840
Total Accounts

\$439.8 Million
Total Assets

\$20,100
Average Account Balance

14.4 Years
Average Beneficiary Age
Per Account

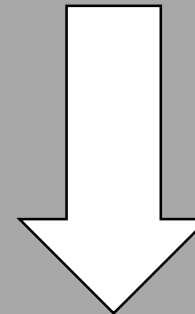
NM Account Activity



Contributions

\$31.5 million TEP (up 27% YOY)

\$20.9 million SE (up 35% YOY)



Redemptions

(To pay for college expenses)

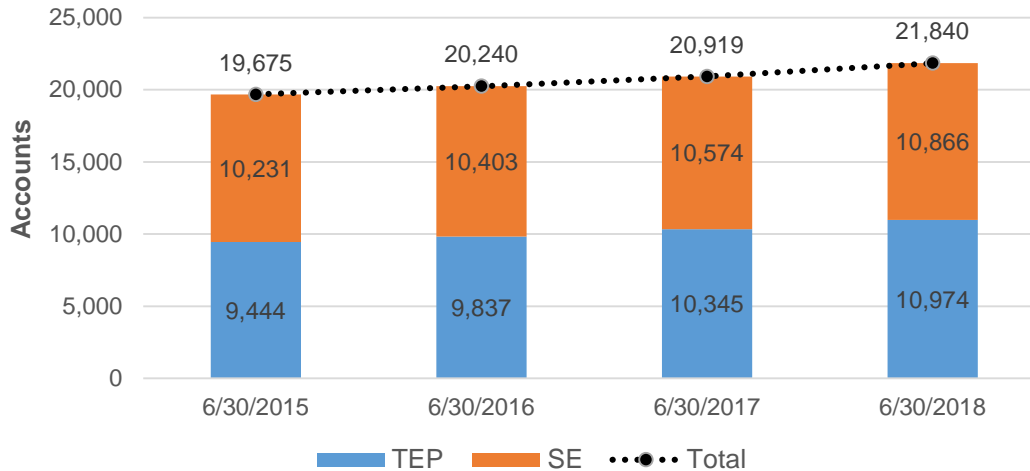
\$32.8 million





FY2018 New Mexico Resident Utilization

NM Resident 529 Accounts



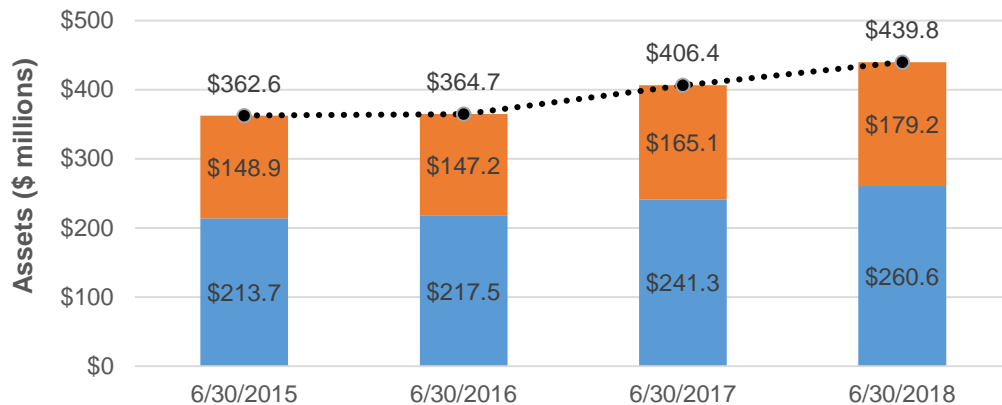
SE Accounts

- Increased 2.8% year-over-year
- Averaging 2% growth rate over last 3 FYs

TEP accounts

- Increased 6.1% year-over-year
- Averaging 5% growth rate over last 3 FYs

NM Resident 529 Assets



SE Assets

- Increased 6.5% year-over-year
- Averaging 6% growth rate over last 3 FYs

TEP Assets

- Increased 8.0% year-over-year
- Averaging 7% growth rate over last 3 FYs





Thank You





APPENDIX



INVESTMENT PERFORMANCE UPDATE





Performance as of 6/30/2018

Age-Based Portfolios

- TEP Index
 - Most conservative age-based option
 - Assets invested in passively managed funds
 - Objective: Portfolio's perform in-line with benchmark
 - All portfolio's produced results within expectations over short and long time period
- TEP Blended
 - Assets invested in actively and passively managed funds
 - Objective: Prefer more downside protection than upside return
 - All portfolio's produced positive results over short and long time periods
 - Most portfolios have better risk-adjusted returns than their respective peer Median
- Scholar'sEdge
 - Assets invested in actively managed funds
 - Objective: Keep up with tuition inflation with upside potential
 - Nearly all portfolios produced positive results over short and long time periods
 - Most portfolios have better risk-adjusted returns than their respective peer Median

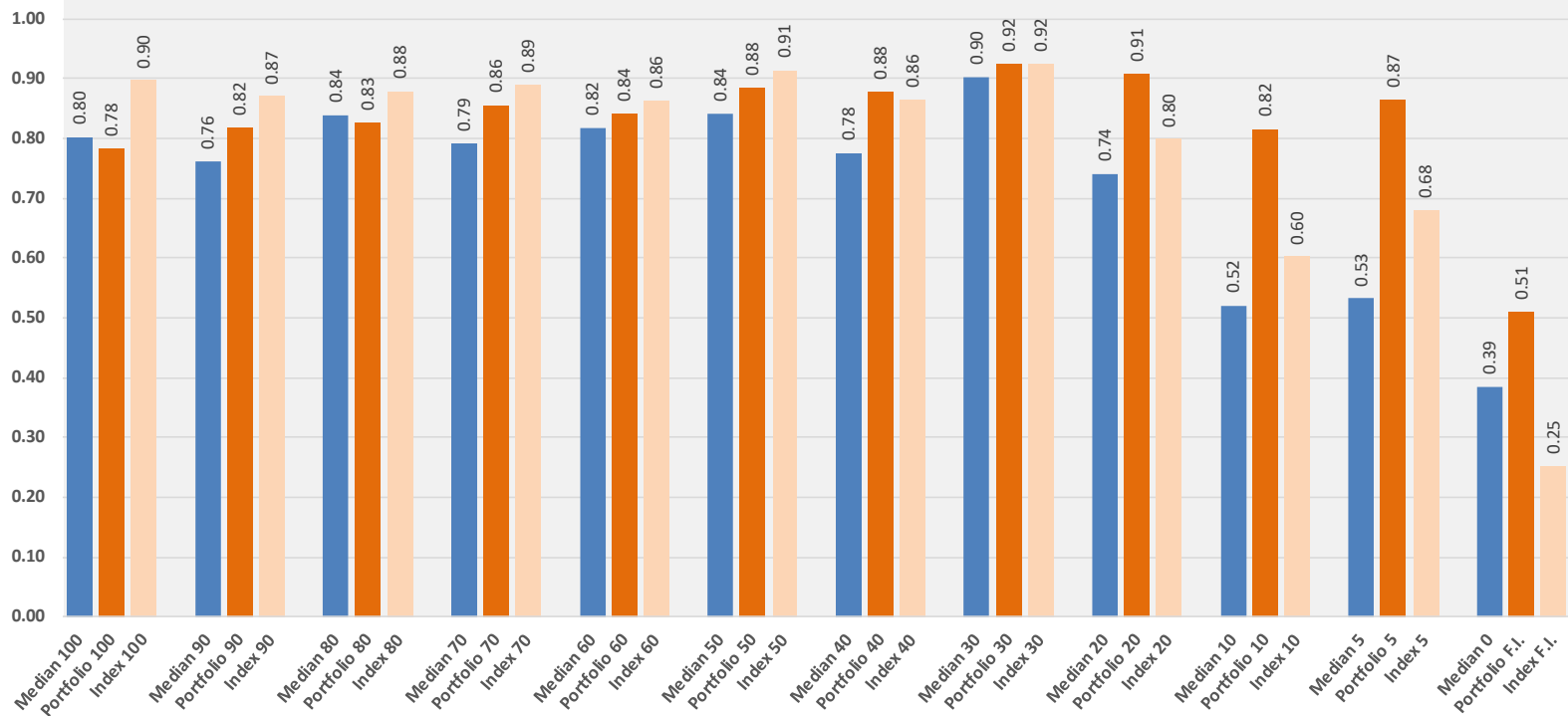




Performance as of 6/30/2018

Sharpe Ratio is used to characterize how well the return of the portfolio compensates for the risk taken. The higher the portfolio's Sharpe Ratio, the better the portfolio's returns have been relative to the risk it has taken on.

The Education Plan 3-Yr Risk Adjusted Results (Sharpe Ratio)



Age-Tracks	100	90	80	70	60	50	40	30	20	10	5	F.I.
Growth	0-2	3-4	5-6	7-8	9-10	11-12	13-14	15-16	17-18	19+		
Balanced	---	---	---	0-2	3-4	5-6	7-8	9-10	11-12	13-14	15-16	17+

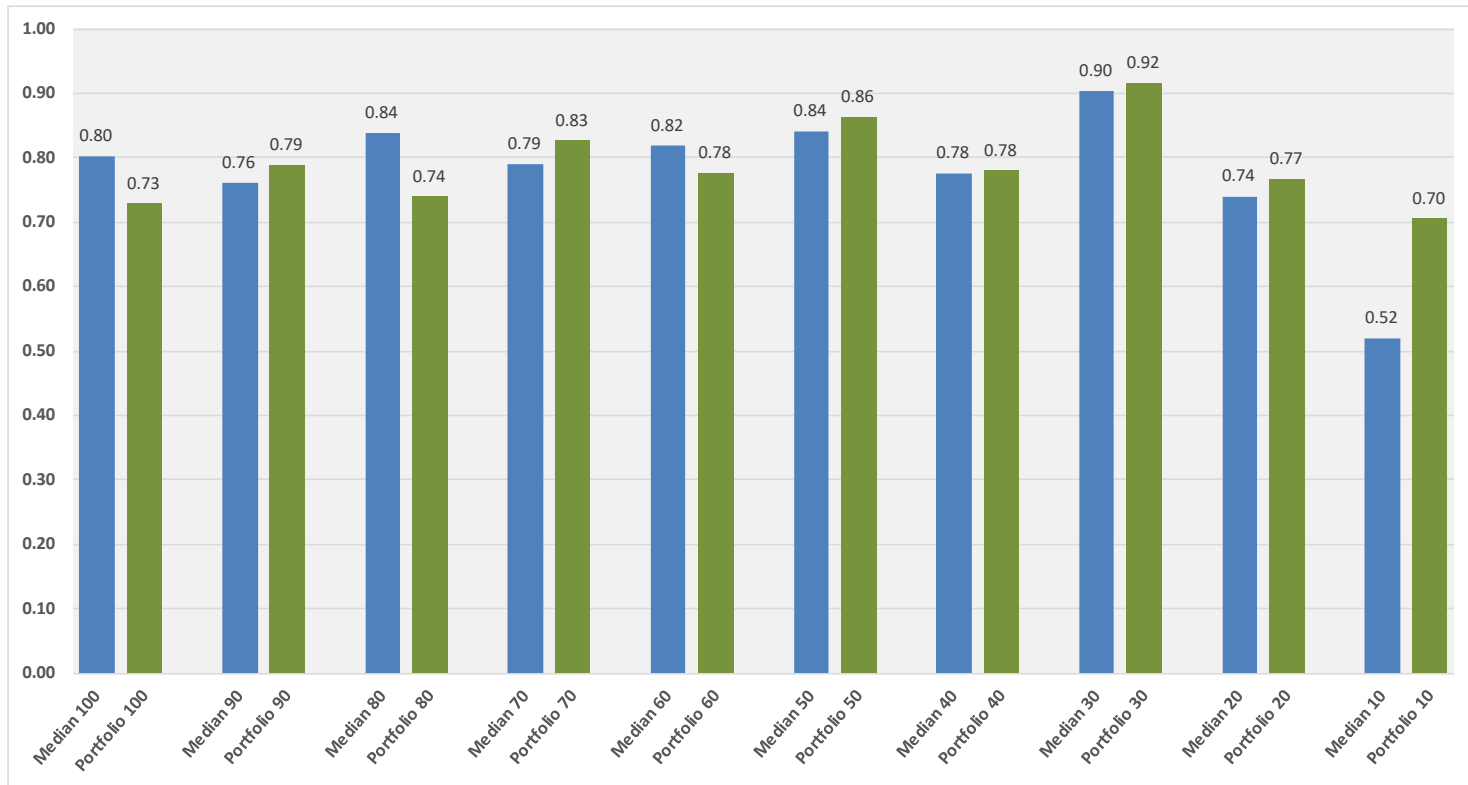
- Almost all TEP portfolios have better risk-adjusted results than their Median peers
- Reveals that most Education Plan portfolios achieve a higher return per unit of risk





Performance as of 6/30/2018

Scholar's Edge 3-Yr Risk Adjusted Results (Sharpe Ratio)



Portfolio 90, 70, 50, & 30 portfolio returns estimated using underlying funds and target allocations
Source: OFI Global

- 7 of 10 Scholar's Edge portfolios have better risk-adjusted results than their median peers
- Reveals that majority of SE portfolios achieve a higher return per unit of risk
- $\text{Sharpe Ratio} = (\text{Portfolio Return} - \text{Risk Free Return}) / \text{Standard Deviation}$





Performance as of 6/30/2018

The Education Plan (TEP) and Scholar's Edge (SE)

	Quarter		1 Year		3 Years		5 Years	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank
New Mexico Age Based 0-2								
T.E.P. Age 0-2	1.75	28	9.92	83	8.49	58	10.66	34
<i>TEP 0-2 Benchmark</i>	1.85	16	10.90	67	9.15	37	10.97	20
T.E.P. Index Age 0-2	1.97	10	11.31	51	9.45	16	11.18	9
<i>TEP Index 0-2 Benchmark</i>	1.90	13	11.55	42	9.86	7	11.66	8
Scholar'sEdge Age 0-2	2.22	5	9.61	89	8.15	69	10.32	53
<i>SE 0-2 Benchmark</i>	1.84	17	10.87	68	9.13	37	10.86	25
Custom Morningstar Age 0-2 Median	1.17		11.34		8.80		10.32	
New Mexico Age Based 3-4								
T.E.P. Age 3-4	1.74	21	---	---	---	---	---	---
<i>TEP 3-4 Benchmark</i>	1.65	28	---	---	---	---	---	---
T.E.P. Index Age 3-4	1.33	49	---	---	---	---	---	---
<i>TEP Index 3-4 Benchmark</i>	1.64	28	---	---	---	---	---	---
Scholar'sEdge Age 3-4	1.54	38	---	---	---	---	---	---
<i>SE 3-4 Benchmark</i>	1.24	54	---	---	---	---	---	---
Custom Morningstar Age 3-4 Median	1.30		---		---		---	
New Mexico Age Based 5-6								
T.E.P. Age 5-6	1.50	32	8.11	91	7.31	68	9.03	40
<i>TEP 5-6 Benchmark</i>	1.57	25	9.00	62	7.91	38	9.41	20
T.E.P. Index Age 5-6	1.25	42	8.64	80	7.74	47	9.22	33
<i>TEP Index 5-6 Benchmark</i>	1.47	33	9.21	60	8.21	22	9.70	13
Scholar'sEdge Age 5-6	1.18	47	7.55	98	6.96	80	8.68	57
<i>SE 5-6 Benchmark</i>	0.99	59	9.03	61	7.98	29	9.27	29
Custom Morningstar Age 5-6 Median	1.12		9.40		7.67		8.85	

Rank: 1=highest, 100=lowest; GREEN indicates above median results

Custom peer groups determined by portfolio equity allocation

Source: Morningstar Direct

- All TEP or SE portfolios posted positive results across all periods measured.
- All TEP and SE portfolios produced above Median quarterly results over the second quarter ending June 30, 2018.
- Latest 1-year earlier-age benchmark returns were below respective medians due to lower International Equity allocations relative to peers.
- Nearly all 5-year portfolio and benchmark returns were above the Median return for both TEP and SE programs.
- TEP Index portfolios performed within expectations.





Performance as of 6/30/2018

The Education Plan (TEP) and Scholar's Edge (SE)

	Quarter		1 Year		3 Years		5 Years	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank
New Mexico Age Based 7-8								
T.E.P. Age 7-8	1.32	26	---	---	---	---	---	---
<i>TEP 7-8 Benchmark</i>	1.32	26	---	---	---	---	---	---
T.E.P. Index Age 7-8	1.02	47	---	---	---	---	---	---
<i>TEP Index 7-8 Benchmark</i>	1.23	32	---	---	---	---	---	---
Scholar'sEdge Age 7-8 A	0.72	68	---	---	---	---	---	---
<i>SE 7-8 Benchmark</i>	0.55	81	---	---	---	---	---	---
Custom Morningstar Age 7-8 Median	1.00		---		---		---	
New Mexico Age Based 9-10								
T.E.P. Age 9-10	1.07	21	5.94	85	5.82	58	7.25	43
<i>TEP 9-10 Benchmark</i>	1.13	19	6.83	49	6.53	7	7.75	19
T.E.P. Index Age 9-10	0.86	38	6.24	73	5.95	44	7.33	41
<i>TEP Index 9-10 Benchmark</i>	1.09	20	6.81	50	6.51	8	7.72	19
Scholar'sEdge Age 9-10 A	0.48	90	5.72	86	5.90	48	7.15	47
<i>SE 9-10 Benchmark</i>	0.46	90	7.01	43	6.77	4	7.67	20
Custom Morningstar Age 9-10 Median	0.74		6.80		5.89		7.02	
New Mexico Age Based 11-12								
T.E.P. Age 11-12	0.91	27	---	---	---	---	---	---
<i>TEP 11-12 Benchmark</i>	1.02	19	---	---	---	---	---	---
T.E.P. Index Age 11-12	0.81	41	---	---	---	---	---	---
<i>TEP Index 11-12 Benchmark</i>	0.90	27	---	---	---	---	---	---
Scholar'sEdge Age 11-12 A	0.31	88	---	---	---	---	---	---
<i>SE 11-12 Benchmark</i>	0.38	82	---	---	---	---	---	---
Custom Morningstar Age 11-12 Median	0.73		---		---		---	

Rank: 1=highest, 100=lowest; GREEN indicates above median results

Custom peer groups determined by portfolio equity allocation

Source: Morningstar Direct

- All recently added Active TEP portfolios outperformed over the most recent quarter while SE portfolios generally struggled.
- Nearly all TEP and SE portfolios produced above Median quarterly results over the second quarter ending June 30, 2018.
- Latest 1-year results for most of the Active TEP and SE portfolios were above median peers.
- Nearly all 5-year portfolio and benchmark returns were above the median return.





Performance as of 6/30/2018

The Education Plan (TEP) and Scholar's Edge (SE)

	Quarter		1 Year		3 Years		5 Years	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank
New Mexico Age 13-14								
T.E.P. Age 13-14	0.80	20	4.21	74	4.35	56	5.33	47
<i>TEP 13-14 Benchmark</i>	0.88	15	4.76	51	4.85	30	5.70	35
T.E.P. Index Age 13-14	0.74	28	4.13	78	4.29	60	5.40	46
<i>TEP Index 13-14 Benchmark</i>	0.81	19	4.50	61	4.63	38	5.50	41
Scholar'sEdge Age 13-14 A	0.11	90	3.64	95	4.39	52	5.23	52
<i>SE 13-14 Benchmark</i>	0.30	79	4.91	38	5.11	24	5.71	35
Custom Morningstar Age 13-14 Median	0.52		4.79		4.43		5.27	
New Mexico Age Based 15-16								
T.E.P. Age 15-16	0.60	41	---	---	---	---	---	---
<i>TEP 15-16 Benchmark</i>	0.65	33	---	---	---	---	---	---
T.E.P. Index Age 15-16	0.60	41	---	---	---	---	---	---
<i>TEP Index 15-16 Benchmark</i>	0.68	32	---	---	---	---	---	---
Scholar'sEdge Age 15-16 A	0.99	4	---	---	---	---	---	---
<i>SE 15-16 Benchmark</i>	0.24	87	---	---	---	---	---	---
Custom Morningstar Age 15-16 Median	0.53		---		---		---	
New Mexico Age 17-18								
T.E.P. Age 17-18	0.47	34	2.31	63	2.79	48	3.28	44
<i>TEP 17-18 Benchmark</i>	0.53	28	2.66	36	3.08	33	3.59	24
T.E.P. Index Age 17-18	0.43	41	2.12	73	2.53	67	3.36	38
<i>TEP Index 17-18 Benchmark</i>	0.50	31	2.31	63	2.77	50	3.30	43
Scholar'sEdge Age 17-18 A	0.00	90	1.84	83	2.87	42	3.30	43
<i>SE 17-18 Benchmark</i>	0.19	74	2.85	26	3.38	18	3.66	22
Custom Morningstar Age 17-18 Median	0.37		2.52		2.76		3.20	

Rank: 1=highest, 100=lowest; GREEN indicates above median results
 Custom peer groups determined by portfolio equity allocation
 Source: Morningstar Direct

- The recently added SE portfolio 15-16 outperformed over the most recent quarter while TEP portfolios lagged.
- Nearly all TEP and SE portfolios produced above Median quarterly results over the second quarter ending June 30, 2018.
- Trailing 1- and 3-year results were positive for all portfolios.
- Nearly all 5-year portfolio and benchmark returns were above the median return.
- TEP Index portfolios performed within expectations.





Performance as of 6/30/2018

The Education Plan (TEP) and Scholar's Edge (SE)

	Quarter		1 Year		3 Years		5 Years	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank
New Mexico Age 19+								
T.E.P. Age 19+	0.30	52	1.21	58	1.80	48	2.04	50
<i>TEP 19+ Benchmark</i>	0.46	36	1.63	46	2.05	42	2.33	44
T.E.P. Index Age 19+	0.40	41	1.04	66	1.49	56	2.13	49
<i>TEP Index 19+ Benchmark</i>	0.40	41	1.16	60	1.60	52	1.90	54
Scholar'sEdge Age 19+ A	-0.11	97	1.00	67	2.03	42	2.22	46
<i>SE 19+ Benchmark</i>	0.25	62	1.93	40	2.45	35	2.52	44
Custom Morningstar Age 19+ Median	0.30		1.49		1.63		2.03	

- Second quarter Age 19+ portfolio results were mixed on an absolute and relative basis.
- Trailing 1-, 3-, and 5-year results were positive for all portfolios.
- All 5-year portfolio and returns were at or above the median return.

Rank: 1=highest, 100=lowest; GREEN indicates above median results
 Custom peer groups determined by portfolio equity allocation
 Source: Morningstar Direct





GOVERNANCE AND OVERSIGHT





Board Governance and Oversight Process

- NM ETB utilizes its professional staff and team of consultants to develop an Investment Policy Statement and to implement a monitoring and guidelines process:
 - Establish and periodically review (not less than annually) Investment Policy and Monitoring Guidelines
 - Watch List Process
 - Consultant reports criteria breaches and communicates with Program Manager
 - Consultant monitors and reports on changes in performance and continues dialogue with Program Manager
 - Recommendations to terminate, restore to normal status, or continue to monitor are made within a 12-18 month time period
 - ETB responsible for final decisions to add/remove funds from the “Watch” list
- Reports provided by PCA and AKF to the NM ETB
 - Monthly “Performance Flash Report” on all underlying mutual funds
 - Monthly “Investment Risk Metrics Report”
 - Quarterly “Investment Monitoring Report”
 - Quarterly “Watch” list Review and Update Memo
 - Quarterly Newsletter “529 Investment Overview”
 - Annual “529 Industry Landscape Analysis”
 - Assessment of Oppenheimer’s (OFI) Annual Program Review
- NM ETB and PCA conduct semi-annual site-visits with OFI for review of operations, investment management and risk management





Transparency – Online at nmetb.org

- Investment Policy Statement and Monitoring Procedures and Criteria
- Program Manager Quarterly Reports – including asset and account numbers and investment performance
- Current RFPs and supporting materials
- IPRA Policy
- Audited Financials
- ETB Open Meeting Resolution, Agendas and Minutes
- Plan expenses and detailed program information contained in plan disclosure documents (online at theeducationplan.com and scholarsedge529.com)





Investment Beliefs

Why?

- Document current unwritten principles
- Provide a clear basis for assessment and action
- Inform cost-benefit decision-making
- Drive decision-making process
 - ✓ Program design
 - ✓ Investment selections

July 2018

- ETB Finalized and Adopted Investment Belief Statements
 - ✓ Investment Belief Statements were derived from the ETB members' responses and discussion of a variety of governance and investment topics over the course of a 12 month period
 - ✓ It is expected the Investment Beliefs will be reviewed at regular intervals going forward and will evolve over time along with the Program





Investment Beliefs: Survey Topics

64 Questions

Program Design

- Program Structure
- Program Success Factors
- Program Investment Structure
- Costs
- Advice/Education

Investment Topics

- Account Owner Profiles & Risk Appetite
- Active & Passive
- Diversification
- Risk Management
- Investment Offerings





Program Design Beliefs



Monitor 529 industry best practices

Emphasize long-term results over short-term

Account owners can be classified into three categories

Category	Savings Goal	Risk Tolerance Description
Conservative	Match General Inflation	Not willing to accept a higher chance of losing money for a higher chance of keeping up with general inflation
Moderate	Match Tuition Inflation	Willing to accept a higher chance of losing money in order to keep up with tuition inflation
Aggressive	Exceed Tuition Inflation	Willing to accept a higher chance of losing money for a higher chance of returns that exceed the tuition inflation





Underlying Investment Beliefs

Investment costs matter

Asset allocation is more important than fund selection

Investments may be globally-oriented, where appropriate

Spread out risks are better than concentrated ones

Portfolios are generally driven by growth risk

