



Legislative Finance Committee
October 30, 2019

Pension Consulting Alliance, Inc.

Education Trust Board of New Mexico
Sandra Liggett, JD - Board Chair
Ted Miller, JD, LLM - Executive Director



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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.



- 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 (any school nationwide)
- Room and board
- Books and supplies
- Computer technology, equipment, or internet access
- Expenses for special needs services





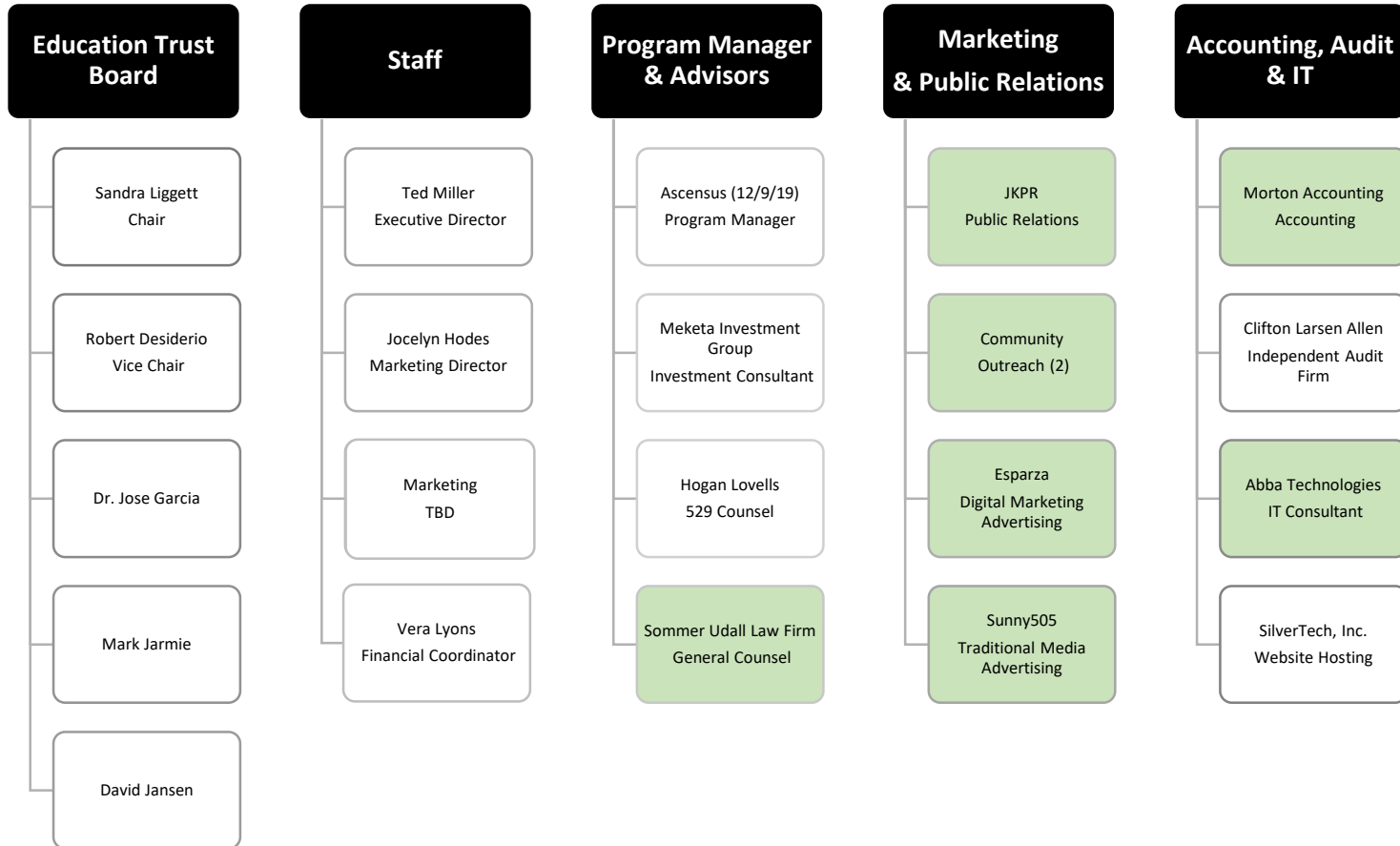
NM ETB Responsibility and Structure

- 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 Members, Staff, & Advisors






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)





New Mexico 529 Program

- The New Mexico 529 Program consist of two separate plans
 -  **The Education Plan**[®] (TEP) – sold directly to the public
Save today for your child's tomorrow
 - Direct-Sold Plan
 - Assets – \$577 million
 - Accounts – 23,045
 - **SCHOLAR'S EDGE**[™] (SE) – sold through commission-based investment advisors
 - Advisor-Sold Plan
 - Assets – \$1.9 billion
 - Accounts – 99,641

Data as of June 30, 2019





NM ETB Program Manager

OppenheimerFunds currently 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

Ascensus will replace OppenheimerFunds as program manager on December 9, 2019





NM ETB Program Manager

Conversion to New Program Manager

- May 24, 2019 -- Invesco (a large investment management firm) acquired OppenheimerFunds from its then owner, Mass Mutual Insurance
- June 18, 2019 – NM ETB appointed Ascensus as the new program manager
- December 9, 2019 -- Conversion to Ascensus will be completed





NM ETB Program Manager

Ascensus

- Administers \$115 billion in 529 assets
- Service provider for 19 states and the District of Columbia
- Successfully completed 28 conversions of 529 plans
- Contractual Marketing Commitment to NM ETB (7 years)
 - TEP -- \$6,896,216
 - SE -- \$9,594,952





NM ETB Program Manager

Principal Financial Group

- Ascensus subcontracted with Principal for SE investment management, marketing and distribution
- \$696 billion in assets under management
- Relationships with 1,100 broker-dealers
- Leading provider of employee benefits, including retirement plans and group benefits plans





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 2023 to become one of the top 15 college savings programs in the country by assets and accounts.





Accomplishments and Goals

Meeting the Program Manager Challenge

- October 18, 2018 -- Invesco and Mass Mutual announce the proposed acquisition of OppenheimerFunds by Invesco
- October 25, 2018 through August 1, 2019 – NM ETB met 15 times to discuss and set strategy for the 529 program
- NM ETB entered into discussions with OppenheimerFunds for an early termination of the Program Manager Contract
- January 29, 2019 -- Termination Agreement was signed
- February 14, 2019 -- RFP for Program Manager Services was issued





Accomplishments and Goals

- NM ETB entered into discussions with OppenheimerFunds and Invesco to ensure continued performance of program manager duties post-closing as well as to protect confidential plan information
- April 19, 2019 -- Post-Closing Agreement was signed
- May 1, 2019 – NM ETB received presentations from 3 finalists for Program Manager
- May 24, 2019 – Invesco acquires OppenheimerFunds
- June 18, 2019 – Program Manager Contract was executed with Ascensus
- December 9, 2019 – Target date for converting the 529 program to Ascensus





Accomplishments and Goals

Redesign and Repricing of Investment Offerings

- Year of Enrollment Portfolios to replace Age-Based Portfolios in both TEP and SE
- Fund lineups for both TEP and SE simplified
- TEP fees further reduced from last year's significant fee reduction (down 12.5% for Year of Enrollment Portfolios)
- More "best of breed" managers added to TEP
- Addition of ESG Portfolio to TEP
- Passive or index funds introduced to SE for the first time
- Significant SE fee reductions as a result (down 21% for Year of Enrollment Portfolios)





Accomplishments and Goals

- Marketing and Outreach:
 - Selected Sunny505 for traditional media marketing and advertising
 - Selected Esparza for digital marketing and analytics
 - Improved digital analytic capabilities
 - Increased focus on education
 - Increased partnership with NM nonprofits, municipal and governmental agencies, and schools
 - Increased partnership with NM employers





Accomplishments and Goals

- **FY20 Marketing Goals**

- Of the 1,596 accounts targeted to open, 50% will be NM-based (798)
- Add 10 new employers in New Mexico offering the 529 plan as an employee “benefit” (payroll direct deposit option)
- Brand messaging & positioning:
 - A 529 plan can help anyone – regardless of age, career path or socio-economics
 - Higher education costs are much more than just tuition
 - Savings helps reduce the burden of student debt
 - A 529 plan is a smart, tax-advantaged way to grow savings
 - It’s never too late or too early to start a 529 plan
 - 529 plans can be “circle-funded” with gift contributions from family & friends for birthdays and holidays, which helps fuel savings
 - A 529 employee benefit is free, easy and smart for employers to offer
 - The Education Plan can help make New Mexico stronger





Accomplishments and Goals

- FY20 Outreach Highlights
 - Six (6) TV & radio interviews on the importance of saving for education and the benefits and unique features of the 529 plan in Albuquerque, Las Cruces and Las Vegas, NM
 - Presented at the New Mexico Association of School Business Officials (NMASBO) Fall Conference in Las Cruces on 9/18-9/20/19 (~300 attendees)
 - Participated in Albuquerque Public Schools (APS) Back to School Health Fair on 9/6/19 and several back-to-school, curriculum night and wellness events at various APS schools in September
 - Presented to Board of Directors at Albuquerque Hispano Chamber of Commerce on 9/26/19– interest in possible public-private partnership 529 scholarship fund
 - Presented at Innovate-Integrate-Motivate Native American Conference held at Isleta Resort & Casino on 10/14-10/15/19 (~350 attendees from NM & AZ)
 - Participated in “What’s Up in NM?” panel discussion at annual Close-It Summit (hosted by Innovate+Educate) in Santa Fe on 10/15-10/16/19 (~700 attendees from across U.S.)
 - Presented at CNM to class in Certified Financial Coach program on 10/16/19 (26 students, including some from out of state); will be regular part of CFC curriculum





Accomplishments and Goals

- Current Active Employer Partners
 - University of New Mexico
 - Central New Mexico Community College
 - City of Albuquerque
 - Dona Ana County
 - Dekker/Perich/Sabatini
 - HB Construction
 - Curry County
 - Main Bank





Accomplishments and Goals

- Employer Partners In Discussion
 - State of New Mexico
 - Sandia National Laboratories
 - Los Alamos National Laboratories & Foundation
 - Albuquerque Public Schools
 - Isleta Resort & Casino
 - PNM
 - Bernalillo County
 - Santa Fe Community College
 - Presbyterian Health Services
 - Lovelace Health System
 - Western Sky Community Care





NEW MEXICO 529 PROGRAM DESIGN





Current Plan Options



- 3.5 ★'s Avg. Morningstar rating
- 58% funds medal rated



- 3.8 ★'s Avg. Morningstar rating
- 30% funds medal rated

- 4 Age-Based Tracks each with 12 Portfolios
 - 2 Passive Tracks
 - 2 Active/Passive Blend Tracks
- 27 Asset Allocation Portfolios
 - 13 Passive
 - 14 Active/Passive Blend
- 1 Age-Based Track with 10 Portfolios
 - Active
- 13 Asset Allocation Portfolios
 - Active
- 29 Individual Fund Portfolios
 - Active





New Plan Options



- 3.8★'s Avg. Morningstar rating
- 65% funds medal rated



- 4.3★'s Avg. Morningstar rating
- 69% funds medal rated

- | | |
|---|--|
| <ul style="list-style-type: none">▪ 11 Year of Enrollment Portfolios<ul style="list-style-type: none">▪ Passive▪ 8 Asset Allocation Portfolios<ul style="list-style-type: none">▪ 4 Active▪ 4 Passive▪ 5 Individual Portfolios<ul style="list-style-type: none">▪ 4 Passive▪ 1 Capital Preservation | <ul style="list-style-type: none">▪ 11 Year of Enrollment Portfolios<ul style="list-style-type: none">▪ Active/Passive Blend▪ 4 Asset Allocation Portfolios<ul style="list-style-type: none">▪ Active/Passive Blend▪ 16 Individual Portfolios<ul style="list-style-type: none">▪ 9 Active▪ 6 Passive▪ 1 Capital Preservation |
|---|--|





Current Underlying Money Managers



- Oppenheimer
- Vanguard



- Oppenheimer
- American Century
- MainStay
- T. Rowe Price
- New York Life





New Underlying Money Managers



- Vanguard
- Black Rock
- DFA
- American Funds
- New York Life
- Prudential
- Schwab
- SSgA
- TIAA-CREF



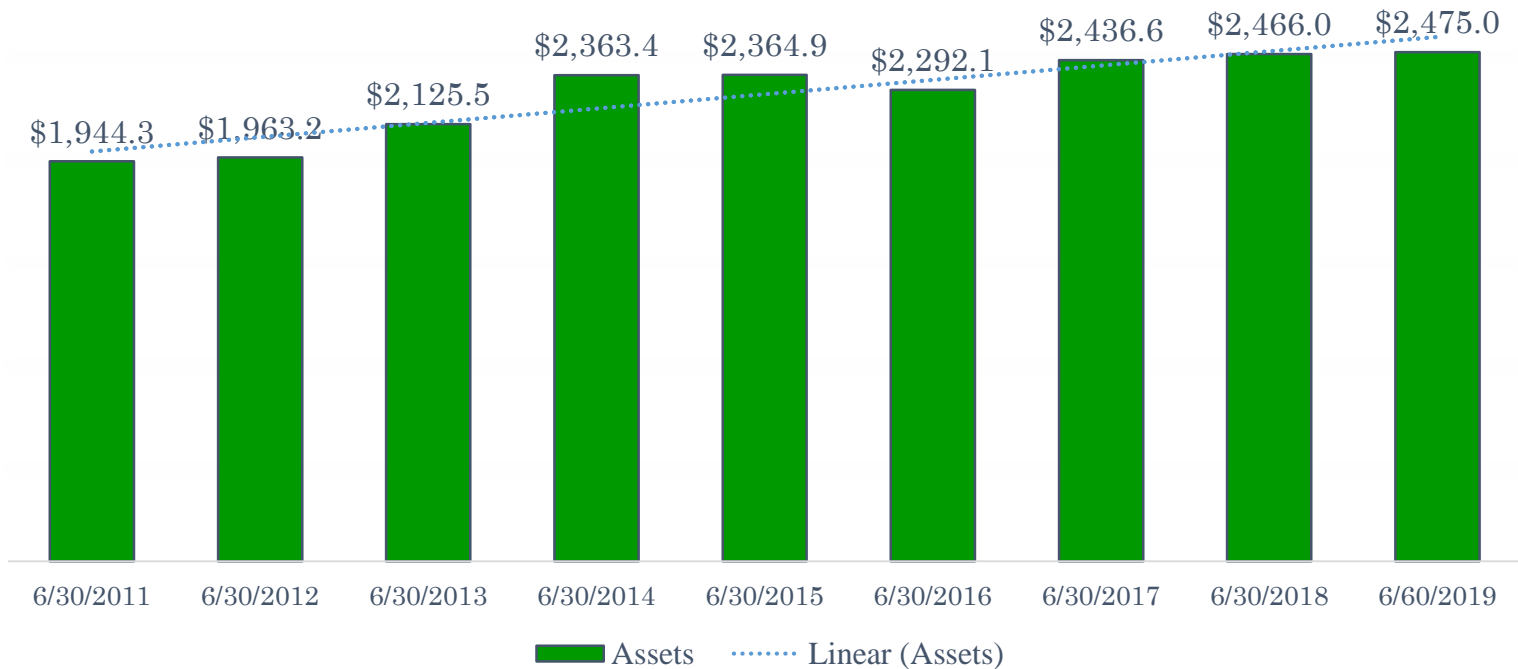
- Principal
- Vanguard
- Black Rock
- JP Morgan
- MainStay





TOTAL 529 TRUST ASSETS

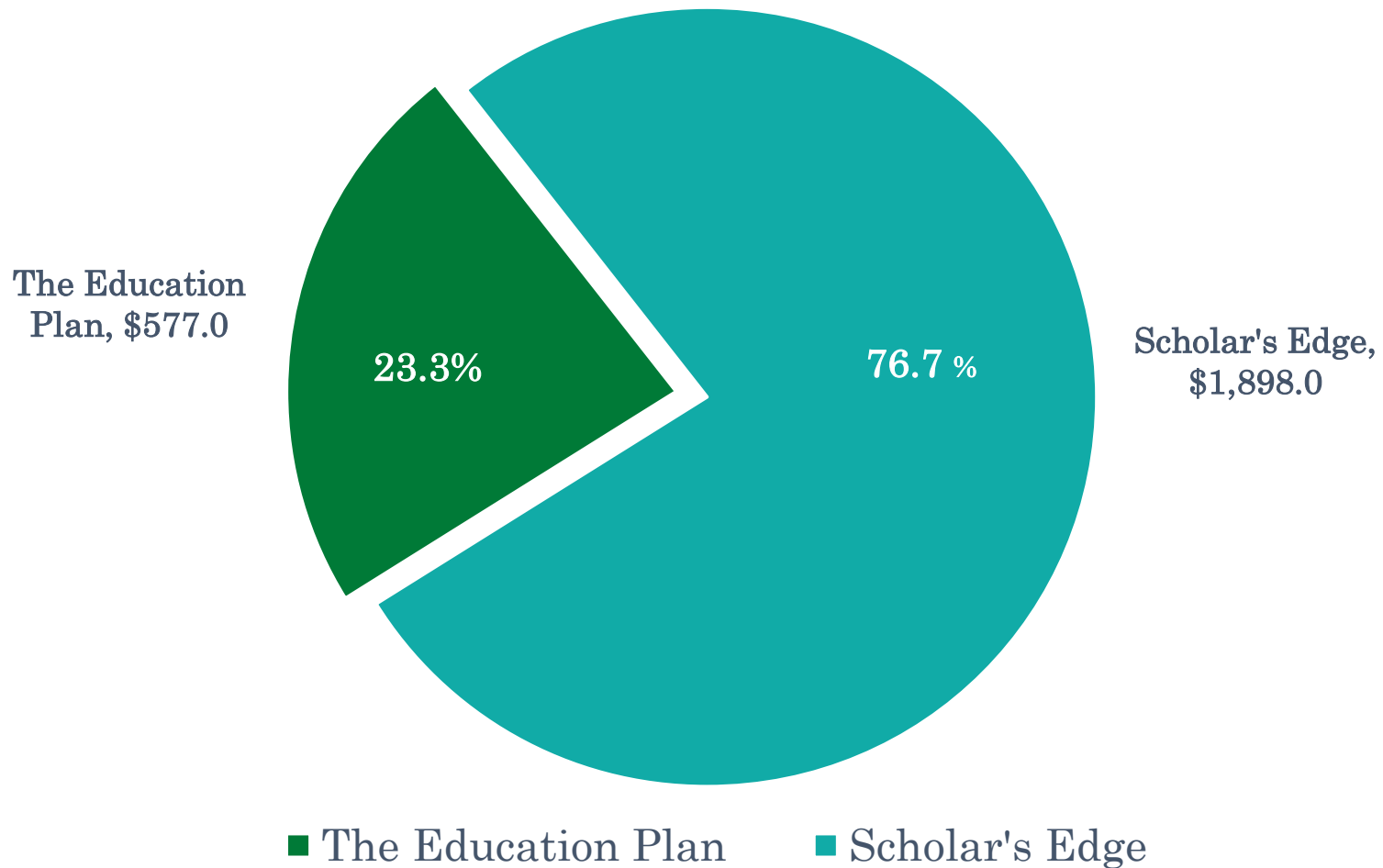
(IN MILLIONS)





TOTAL EDUCATION TRUST ASSETS BY PLAN

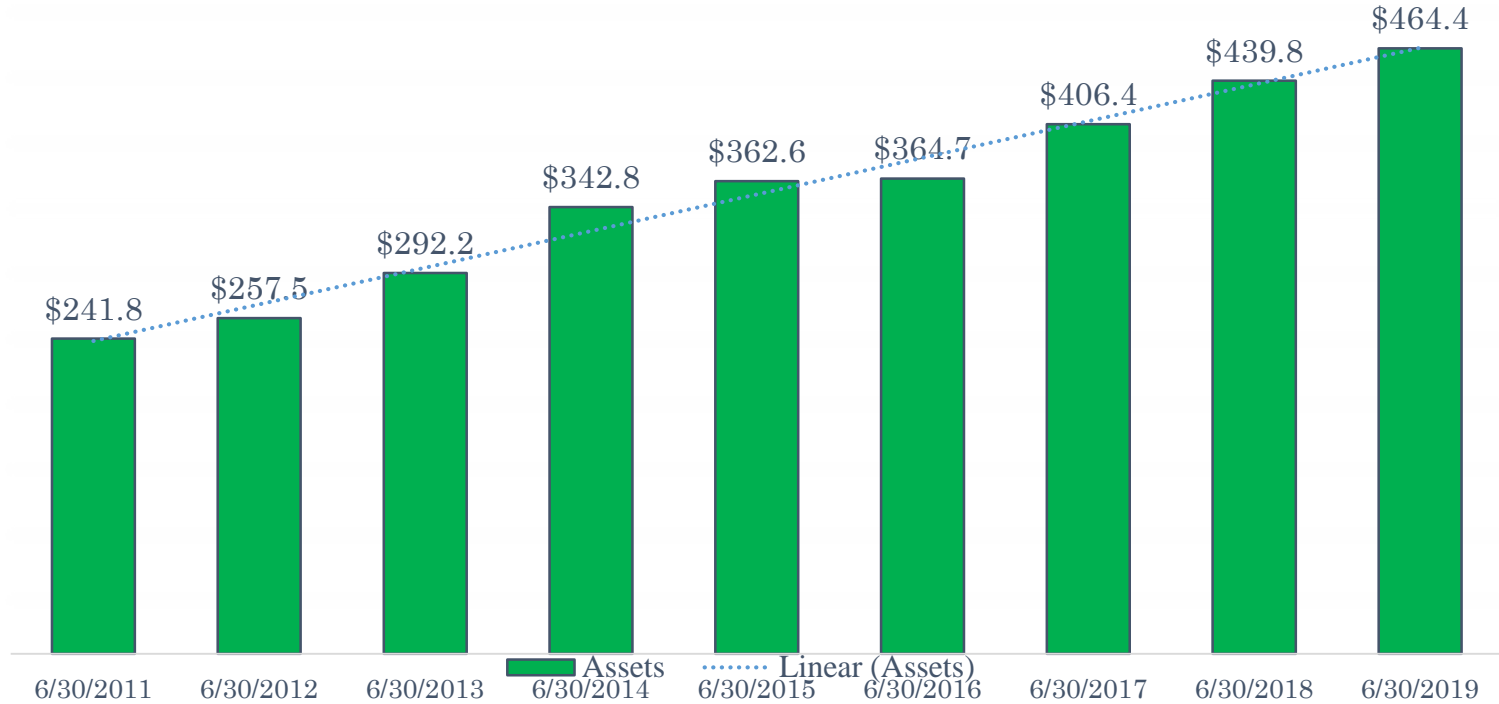
(IN MILLIONS)





NM RESIDENT 529 TRUST ASSETS

(IN MILLIONS)





FY2019 New Mexico Resident Utilization

NM Account Summary

22,434
NM Total Accounts

\$464.4 million
NM Total Assets

\$8,100(TEP) \$5,100(SE)
Median NM Account
Balance

14.0 Years
Average Beneficiary Age
Per NM Account

NM Account Activity

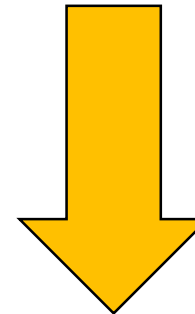
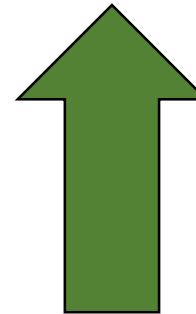
Contributions

\$51.5 million

\$191 per mo. avg.
contribution

Redemptions (To pay for college expenses)

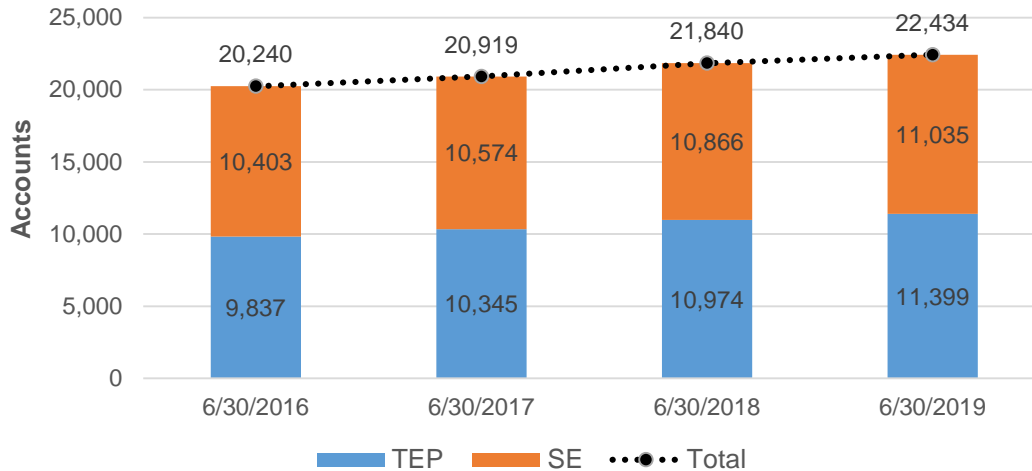
\$36.0 million





FY2018 New Mexico Resident Utilization

NM Resident 529 Accounts



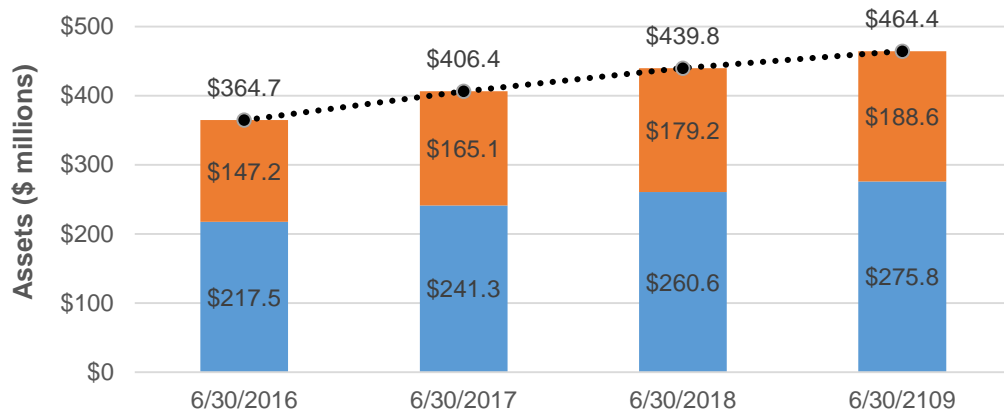
SE Accounts

- Increased 1.6% year-over-year
- Averaging 2% growth rate over last 3 FYs

TEP accounts

- Increased 3.9% year-over-year
- Averaging 5% growth rate over last 3 FYs

NM Resident 529 Assets



SE Assets

- Increased 5.2% year-over-year
- Averaging 8.6% growth rate over last 3 FYs

TEP Assets

- Increased 5.8% year-over-year
- Averaging 8.3% growth rate over last 3 FYs





Thank You





APPENDIX



The Education Plan

Year of enrollment-based portfolios



Asset class	Product	Year of enrollment portfolio										
		2038-2039	2036-2037	2034-2035	2032-2033	2030-2031	2028-2029	2026-2027	2024-2025	2022-2023	2020-2021	Enrollment portfolio
US Equity	Vanguard Total Stock Market Index Inst Plus	48.60%	48.60%	45.00%	41.40%	37.80%	34.20%	29.70%	24.30%	17.10%	10.80%	5.40%
US Real Estate	Schwab US REIT ETF	5.40%	5.40%	5.00%	4.60%	4.20%	3.80%	3.30%	2.70%	1.90%	1.20%	0.60%
Non-US Equity	Vanguard Developed Markets Index Inst	27.00%	27.00%	25.00%	23.00%	21.00%	19.00%	16.50%	13.50%	9.50%	6.00%	3.00%
Emerging Market Equity	SPDR® Portfolio Emerging Markets ETF	9.00%	9.00%	8.33%	7.67%	7.00%	6.33%	5.50%	4.50%	3.17%	2.00%	1.00%
Core Fixed Income	Vanguard Total Bond Market II Index I	5.00%	5.00%	6.67%	8.33%	10.00%	11.67%	14.17%	17.50%	20.83%	20.00%	15.00%
Short Term Inflation Protected	Vanguard Short Term Inflation Protected Securities Fund Inst	1.50%	1.50%	2.00%	2.50%	3.00%	3.50%	4.25%	5.25%	6.25%	6.00%	4.50%
High Yield Corporate	Vanguard High Yield Corporate Fund Adm	1.00%	1.00%	1.33%	1.67%	2.00%	2.33%	2.84%	3.50%	4.17%	4.00%	3.00%
Non-US Fixed Income	iShares International Aggregate ETF	2.50%	2.50%	3.33%	4.17%	5.00%	5.83%	7.08%	8.75%	10.42%	10.00%	7.50%
Short-Term Government	Vanguard Short Term Treasury Index Inst	0.00%	0.00%	1.67%	3.33%	5.00%	6.67%	8.33%	10.00%	13.33%	20.00%	30.00%
Capital Preservation	New York Life GIA 10	0.00%	0.00%	1.67%	3.33%	5.00%	6.67%	8.33%	10.00%	13.33%	20.00%	30.00%
	Equity	90.00%	90.00%	83.33%	76.67%	70.00%	63.33%	55.00%	45.00%	31.67%	20.00%	10.00%
	Fixed Income/Short-Term Marketable Securities	10.00%	10.00%	16.67%	23.33%	30.00%	36.67%	45.00%	55.00%	68.33%	80.00%	90.00%
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Weighted Average Expense	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.03%
	Plan Management Fee	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
	State Administrative Fee	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
	Total Annual Asset-Based Fees	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.13%

The Education Plan

Static allocation passive portfolios



Asset class	Product	Static allocation passive portfolio			
		100% Equity Index Portfolio	75% Equity Index Portfolio	50% Equity Index Portfolio	25% Equity Index Portfolio
US Equity	Vanguard Total Stock Market Index Inst	54.00%	40.50%	27.00%	13.50%
US Real Estate	Schwab US REIT ETF	6.00%	4.50%	3.00%	1.50%
Non-US Equity	Vanguard Developed Markets Index Inst	30.00%	22.50%	15.00%	7.50%
Emerging Market Equity	SPDR® Portfolio Emerging Markets ETF	10.00%	7.50%	5.00%	2.50%
Core Fixed Income	Vanguard Total Bond Market II Index I	0.00%	8.75%	16.25%	22.50%
Short Term Inflation Protected	Vanguard Short Term Inflation Protected	0.00%	2.63%	4.87%	6.75%
High Yield Corporate	Vanguard High Yield Corporate Fund Adm	0.00%	1.75%	3.25%	4.50%
Non-US Fixed Income	iShares International Aggregate ETF	0.00%	4.38%	8.13%	11.25%
Short-Term Government	Vanguard Short Term Treasury Index Inst	0.00%	7.50%	17.50%	30.00%
	Equity	100%	75%	50%	25%
	Fixed Income/Short-Term Marketable Securities	0%	25%	50%	75%
	Total	100%	100%	100%	100%
	Weighted Average Expenses	0.04%	0.04%	0.05%	0.05%
	Plan Management Fee	0.05%	0.05%	0.05%	0.05%
	State Administrative Fee	0.05%	0.05%	0.05%	0.05%
	Total Annual Asset-Based Fees	0.14%	0.14%	0.15%	0.15%

As of June 30, 2019.

The Education Plan

Static allocation active portfolios



Asset class	Product	Static allocation active portfolio			
		100% Active Equity Portfolio	75% Active Equity Portfolio	50% Active Equity Portfolio	25% Active Equity Portfolio
US Equity	American Funds Fundamental Invs F3	54.00%	40.50%	27.00%	13.50%
US Real Estate	TIAA CREF Real Estate Sec Instl	6.00%	4.50%	3.00%	1.50%
Non-US Equity	DFA International Core Equity I	30.00%	22.50%	15.00%	7.50%
Emerging Market Equity	DFA Emerging Markets Core Equity I	10.00%	7.50%	5.00%	2.50%
Core Fixed Income	TIAA CREF Bond Plus Instl	0.00%	8.75%	16.25%	22.50%
Inflation Protected	DFA Inflation-Protected Securities I	0.00%	2.63%	4.87%	6.75%
Ultra Short-Term Bond	Vanguard Ultra Short Term Bond Admiral	0.00%	4.38%	8.13%	11.25%
Global Fixed Income	Prudential Global Total Return R6	0.00%	1.75%	3.25%	4.50%
Capital Preservation	New York Life GIA 10	0.00%	7.50%	17.50%	30.00%
	Equity	100%	75%	50%	25%
	Fixed Income/Short-Term Marketable Securities	0%	25%	50%	75%
	Total	100%	100%	100%	100%
	Weighted Average Expense	0.34%	0.31%	0.27%	0.23%
	Plan Management Fee	0.05%	0.05%	0.05%	0.05%
	State Administrative Fee	0.05%	0.05%	0.05%	0.05%
	Total Annual Asset-Based Fees	0.44%	0.41%	0.37%	0.33%

The Education Plan

Individual fund portfolios



Asset class	Fund/ETF	Fund fee	Plan management fee	State administrative fee	Total annual asset-based fees
US Equity Index Portfolio	Vanguard Total Stock Market Index Instl Plus	0.02%	0.05%	0.05%	0.12%
Bond Index Portfolio	Vanguard Total Bond Market Index ETF	0.04%	0.05%	0.05%	0.14%
Short Term Bond Index Portfolio	Vanguard Short Term Treasury Index Instl	0.05%	0.05%	0.05%	0.15%
Social Choice Portfolio	TIAA-CREF Social Equity Instl	0.17%	0.05%	0.05%	0.27%
Capital Preservation Portfolio	New York Life GIA 10	0.00%	0.05%	0.05%	0.10%

The Education Plan

Morningstar evaluation

	Investment option	Star rating	Analyst rating	Morningstar pillar				
				Parent	Performance	Price	People	Process
Passive	Vanguard Total Stock Market Index	★★★★	Gold	Positive	Positive	Positive	Positive	Positive
	Schwab US REIT ETF™	★★★						
	Vanguard Developed Markets Index	★★★★	Silver	Positive	Neutral	Positive	Positive	Positive
	SPDR® Portfolio Emerging Markets ETF	★★★★						
	Vanguard Total Bond Market II Index	★★★	Silver	Positive	Neutral	Positive	Positive	Positive
	Vanguard Short-Term Infl-Prot Sec Index	★★	Gold	Positive	Positive	Positive	Positive	Positive
	Vanguard High-Yield Corporate	★★★★	Silver	Positive	Positive	Positive	Positive	Positive
	iShares Core International Agg Bond ETF	★★★★						
	Vanguard Short-Term Treasury Index	★★★★	Silver	Positive	Neutral	Positive	Positive	Positive
Vanguard Ultra-Short-Term Bond Index	★★★							
Active	American Funds Fundamental Investors	★★★	Gold	Positive	Positive	Positive	Positive	Positive
	TIAA-CREF Real Estate Securities	★★★★★						
	DFA International Core Equity	★★★★	Bronze	Positive	Positive	Positive	Positive	Positive
	DFA Emerging Markets Core Equity	★★★	Silver	Positive	Positive	Positive	Positive	Positive
	TIAA-CREF Bond Plus	★★★★	Bronze	Neutral	Positive	Positive	Positive	Positive
	DFA Inflation-Protected Securities	★★★★★						
PGIM Global Total Return	★★★★★	Silver	Positive	Positive	Positive	Positive	Positive	

As of June 30, 2019. Source: Morningstar.

Scholar's Edge

Proposed enrollment-based portfolio holdings

Asset class	Fund/ETF	Target funding (year of enrollment) portfolios										
		2038-2039	2036-2037	2034-2035	2032-2033	2030-2031	2028-2029	2026-2027	2024-2025	2022-2023	2020-2021	Today
US large cap	iShares S&P 500 Stock Index ETF	20.85%	20.85%	19.95%	18.15%	19.05%	17.70%	14.30%	12.40%	8.00%	4.00%	0.00%
US large cap	Principal Blue Chip R6 Fund	15.65%	15.65%	14.95%	13.60%	14.30%	13.25%	10.70%	9.30%	6.00%	3.00%	0.00%
US large cap	Principal Equity Income Inst Fund	15.65%	15.65%	14.95%	13.60%	14.30%	13.25%	10.70%	9.30%	6.00%	3.00%	0.00%
US mid cap	Vanguard Mid Cap Index InstitutionalPlus	10.45%	10.45%	10.00%	9.10%	5.60%	5.20%	4.20%	0.00%	0.00%	0.00%	0.00%
US small cap	iShares Small Cap Index ETF	6.95%	6.95%	6.65%	6.05%	2.80%	2.60%	2.10%	0.00%	0.00%	0.00%	0.00%
Non-US equity	Principal SystematEx International R6 Fund	22.35%	22.35%	21.60%	20.00%	19.75%	18.00%	14.40%	12.00%	7.50%	3.00%	0.00%
Emerging market equity	JPMorgan Emerging Markets Equity R6	5.60%	5.60%	5.40%	5.00%	2.20%	2.00%	1.60%	0.00%	0.00%	0.00%	0.00%
Core fixed income	Principal Income R6 Fund	0.00%	0.00%	3.20%	9.60%	12.80%	17.90%	26.90%	27.35%	34.80%	38.40%	40.00%
Core fixed income	iShares Core U.S. Aggregate Bond ETF	0.00%	0.00%	0.80%	2.40%	3.20%	4.50%	6.70%	6.85%	8.70%	9.60%	10.00%
Short term fixed income	Principal Short-Term Income Inst Fund	0.00%	0.00%	0.00%	0.00%	2.00%	2.80%	4.20%	11.40%	14.50%	17.40%	20.00%
Stable value	Principal Guaranteed Contract	0.00%	0.00%	0.00%	0.00%	2.00%	2.80%	4.20%	11.40%	14.50%	21.60%	30.00%
US real estate	Principal Real Estate Securities R6 Fund	2.50%	2.50%	2.50%	2.50%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Equity	100%	100%	96.00%	88.00%	80.00%	72.00%	58.00%	43.00%	27.50%	13.00%	0.00%
	Fixed Income/Short-Term Marketable Securities	0.00%	0.00%	4.00%	12.00%	20.00%	28.00%	42.00%	57.00%	72.50%	87.00%	100.00%
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Weighted average expense	0.39%	0.39%	0.40%	0.40%	0.40%	0.39%	0.38%	0.37%	0.35%	0.32%	0.28%
	Plan Management Fee	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
	State Administrative Fee	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%
	Total Annual Asset-Based Fees	0.67%	0.67%	0.68%	0.68%	0.68%	0.67%	0.66%	0.65%	0.63%	0.60%	0.56%
	Total Annual Asset-Based Fees for Class A	0.92%	0.92%	0.93%	0.93%	0.93%	0.92%	0.91%	0.90%	0.88%	0.85%	0.81%
	Total Annual Asset-Based Fees for Class C	1.67%	1.67%	1.68%	1.68%	1.68%	1.67%	1.66%	1.65%	1.63%	1.60%	1.56%
	Total Annual Asset-Based Fees for Class R	0.67%	0.67%	0.68%	0.68%	0.68%	0.67%	0.66%	0.65%	0.63%	0.60%	0.56%

As of June 30, 2019.

Scholar's Edge

Proposed static allocation portfolio holdings

Asset class	Fund/ETF	Aggressive	Moderate	Conservative	Fixed Income
US large cap	iShares S&P 500 Stock Index ETF	18.15%	14.30%	8.00%	0.00%
US large cap	Principal Blue Chip R6 Fund	13.60%	10.70%	6.00%	0.00%
US large cap	Principal Equity Income Inst Fund	13.60%	10.70%	6.00%	0.00%
US mid cap	Vanguard Mid Cap Index InstitutionalPlus	9.10%	4.20%	0.00%	0.00%
US small cap	iShares Small Cap Index ETF	6.05%	2.10%	0.00%	0.00%
Non-US equity	Principal SystematEx International R6 Fund	20.00%	14.40%	7.50%	0.00%
Emerging market equity	JPMorgan Emerging Markets Equity R6	5.00%	1.60%	0.00%	0.00%
Core fixed income	Principal Income R6 Fund	9.60%	26.90%	34.80%	40.00%
Core fixed income	iShares Core U.S. Aggregate Bond ETF	2.40%	6.70%	8.70%	10.00%
Short term fixed income	Principal Short-Term Income Inst Fund	0.00%	4.20%	14.50%	20.00%
Stable value	Principal Guaranteed Contract	0.00%	4.20%	14.50%	30.00%
US real estate	Principal Real Estate Securities R6 Fund	2.50%	0.00%	0.00%	0.00%
	Equity	88.00%	58.00%	27.50%	0.00%
	Fixed Income/Short-Term Marketable Securities	12.00%	42.00%	72.50%	100.00%
	Total	100%	100%	100%	100%
	Weighted average expense	0.40%	0.38%	0.35%	0.28%
	Plan Management Fee	0.20%	0.20%	0.20%	0.20%
	State Administrative Fee	0.08%	0.08%	0.08%	0.08%
	Total Annual Asset-Based Fees	0.68%	0.66%	0.63%	0.56%
	Total Annual Asset-Based Fees for Class A	0.93%	0.91%	0.88%	0.81%
	Total Annual Asset-Based Fees for Class C	1.68%	1.66%	1.63%	1.56%
	Total Annual Asset-Based Fees for Class R	0.68%	0.66%	0.63%	0.56%

As of June 30, 2019.

Scholar's Edge

Individual portfolios

Asset class	Fund/ETF	Fund fee	Plan management fee	State administrative fee	Total asset-fees	Total asset-fees for A	Total asset-fees for C	Total asset-fees for R
US large cap	iShares S&P 500 Stock Index ETF	0.04%	0.20%	0.08%	0.32%	0.57%	1.32%	0.32%
US large cap	Principal Blue Chip R6 Fund	0.57%	0.20%	0.08%	0.85%	1.10%	1.85%	0.85%
US large cap	Principal Equity Income Inst Fund	0.52%	0.20%	0.08%	0.80%	1.05%	1.80%	0.80%
US mid cap	Vanguard Mid Cap Index InstitutionalPlus	0.03%	0.20%	0.08%	0.31%	0.56%	1.31%	0.31%
US small cap	iShares Small Cap Index ETF	0.07%	0.20%	0.08%	0.35%	0.60%	1.35%	0.35%
Non-US equity	Principal SystematEx International R6 Fund	0.64%	0.20%	0.08%	0.92%	1.17%	1.92%	0.92%
Emerging equity	JPMorgan Emerging Markets Equity R6	0.79%	0.20%	0.08%	1.07%	1.32%	2.07%	1.07%
Core fixed	Principal Income R6 Fund	0.48%	0.20%	0.08%	0.76%	1.01%	1.76%	0.76%
Core fixed	iShares Core U.S. Aggregate Bond ETF	0.06%	0.20%	0.08%	0.34%	0.59%	1.34%	0.34%
Short term fixed income	Principal Short-Term Income Inst Fund	0.43%	0.20%	0.08%	0.71%	0.96%	1.71%	0.71%
Global equity	Vanguard Total World Stock ETF	0.09%	0.20%	0.08%	0.37%	0.62%	1.37%	0.37%
Non-US small	Principal International Small Company R6 Fund	1.07%	0.20%	0.08%	1.35%	1.60%	2.35%	1.35%
Non-US fixed	Vanguard Total International Bond ETF	0.09%	0.20%	0.08%	0.37%	0.62%	1.37%	0.37%
US high yield	MainStay MacKay High Yield Corporate Bond R6 Fund	0.58%	0.20%	0.08%	0.86%	1.11%	1.86%	0.86%
Stable value	Principal Guaranteed Contract	0.00%	0.20%	0.08%	0.28%	0.53%	1.28%	0.28%
US real estate	Principal Real Estate Securities R6 Fund	0.83%	0.20%	0.08%	1.11%	1.36%	2.11%	1.11%

As of June 30, 2019.

Scholar's Edge

Individual portfolios Morningstar evaluation

	Investment option	Star rating	Analyst rating	Morningstar pillar				
				Parent	Performance	Price	People	Process
Passive	iShares S&P 500 Stock Index ETF	★★★★★	Gold	Positive	Positive	Positive	Positive	Positive
	Vanguard Mid Cap Index InstitutionalPlus	★★★★	Gold	Positive	Positive	Positive	Positive	Positive
	iShares Small Cap Index ETF	★★★★★	Gold	Positive	Positive	Positive	Positive	Positive
	iShares Core U.S. Aggregate Bond ETF	★★★	Silver	Positive	Neutral	Positive	Positive	Positive
	Vanguard Total World Stock ETF	★★★	Silver	Positive	Neutral	Positive	Positive	Positive
	Vanguard Total International Bond ETF	★★★★	Silver	Positive	Neutral	Positive	Positive	Positive
Active	Principal Blue Chip R6 Fund	★★★★★	Silver	Neutral	Positive	Positive	Positive	Positive
	Principal Equity Income Inst Fund	★★★★★	Silver	Neutral	Positive	Positive	Positive	Positive
	Principal SystematEx International R6 Fund	★★★						
	JPMorgan Emerging Markets Equity R6	★★★★★	Silver	Positive	Positive	Positive	Positive	Positive
	Principal Income R6 Fund	★★★★	Neutral	Neutral	Positive	Negative	Neutral	Neutral
	Principal Short-Term Income Inst Fund	★★★★	Neutral	Neutral	Positive	Positive	Neutral	Neutral
	Principal International Small Company R6 Fund	★★★★★						
	MainStay MacKay High Yield Corp Bond R6 Fund	★★★★★	Bronze	Neutral	Positive	Neutral	Positive	Positive
Principal Real Estate Securities R6 Fund	★★★★	Bronze	Neutral	Positive	Positive	Positive	Neutral	

As of June 30, 2019. Source: Morningstar.