



The New Mexico Education Trust Board



INVESTMENTS AND PENSIONS
OVERSIGHT COMMITTEE

OCTOBER 2, 2023

Agenda



529 Education Savings Plan Overview



New Mexico 529 Plans



Year in Review



Investments



529 Education Savings Plan Overview



529 Plan History

Section 529 of the Internal Revenue Code

- **1996 Congress enacts Section 529 of the Internal Revenue Code**
- **529 plans allow an individual to invest and pay for another person's (or their own) higher education expenses free of federal tax.**

Qualified Tuition Program means a program:

- **established and maintained**
- **by a state or agency or instrumentality, or by one or more eligible educational institutions**

Types of 529 Plans

- **Prepaid plans where a person may purchase tuition credits or certificates on behalf of a designated beneficiary for the waiver or payment of qualified higher education expenses, or**
- **College savings plans where contributions can be made to an account established for the purpose of meeting the qualified higher education expenses of the designated beneficiary**

529 Education Savings Plan Advantages



- Contributions grow on a tax-deferred basis.

- Account owner retains control over investments and beneficiaries.



- 529 assets can be used to pay for a variety of qualified expenses.



- All 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 taxpayer may be deducted from income for New Mexico individual income tax purposes if used to pay for qualified education expenses.

Qualified Education Expenses

Qualified Expenses – Section 529 IRC

- Post-secondary education – public or private (any school nationwide)
 - Tuition and fees
 - Room and board
 - Books, supplies, and equipment
 - Computer technology, equipment, or internet access
 - Expenses for special needs services
 - Student loans (\$10K lifetime limit)
 - Apprenticeship program costs
 - K-12 Tuition (\$10K per year limit)

Expenses not covered

- College application and testing fees
- Transportation Costs
- Health insurance
- Extracurricular activities
- Expenses used to generate federal education tax credits such as
 - American Opportunity Tax Credit (AOTC)
 - Lifetime Learning Tax Credit (LLTC)

Rollover into Roth IRA – considered qualified rollover of funds beginning in 2024 (\$35K max)

NM 529 Plans

NM Education Trust Board

- **NM ETB is the governing body for NM's 529 programs**
 - Administratively attached to the NM Higher Education Department
 - Acts as a fiduciary of the Education Trust
 - Solely dedicated to oversight of NM 529 plans
- **Five Member Board of Directors**
 - Board Chair is the Secretary of Higher Education Department or the Secretary's designee
 - Two Governor appointees
 - One Senate Pro Tem appointee
 - One Speaker of the House of Representatives appointee
- **Selection and Term**
 - In accordance with NM Statute, the appointed members must possess knowledge, skill and experience in higher education, business or finance
 - The appointed members shall serve six-year terms, with the exception of the member representing students, who shall be appointed for a two-year term



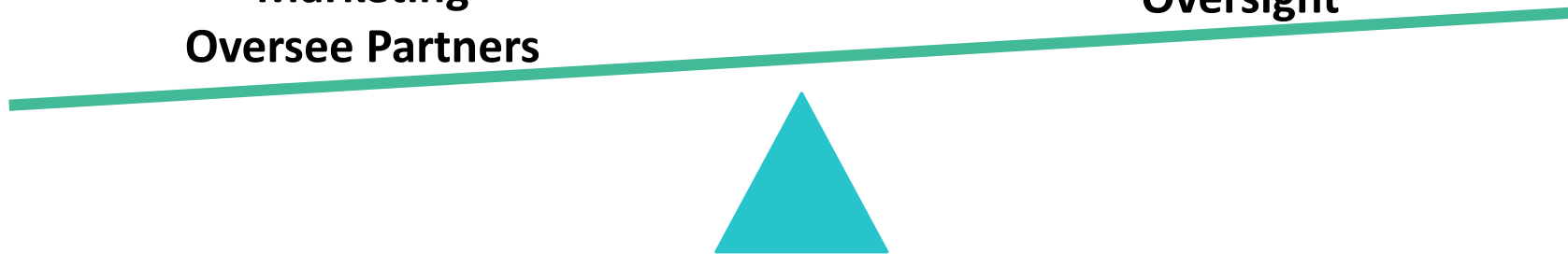
NM ETB Responsibilities

Operational

**Governance
Implementation
Administration
Marketing
Oversee Partners**

Investments

**Plan Structure
Investment Design
Monitoring
Selection
Oversight**



Ambassador promoting 529 programs



Process and Structure

- Policy documents in place and followed, reviewed annually
 - Investment Policy Statement
 - Monitoring Procedures and Criteria
- Independent State staff solely devoted to 529
 - Significant resources through advisor/consultant relationships
 - Effective, dedicated Independent Consultant
 - State and National legal experts
- Fiduciary Oversight
 - Strategy/policy drives focus and results
 - Engage experts
 - Overall investment process
 - Quarterly investment and operations/service level reviews
 - Robust underlying fund monitoring process
 - Annual asset allocation review
 - Program manager due diligence site visits for review of operations and investment management as deemed necessary

About NM ETB



MISSION

To make future education more attainable by offering a flexible, low-cost, tax-efficient way to save for the costs of education.



VISION

To enable as many New Mexican families as possible to open and fund accounts for beneficiaries of 529 Education Savings Accounts, and to promote continued contributions to the Accounts.



GOALS

- To grow new accounts year-over-year in NM and nationally.
- To increase awareness and education of 529 plans and to foster positive working and community relationships to further promote 529 plans.
- To be a top-rated program for both in-state and out-of-state residents.
- To provide a range of investment options across the risk spectrum.

Scholar's Edge

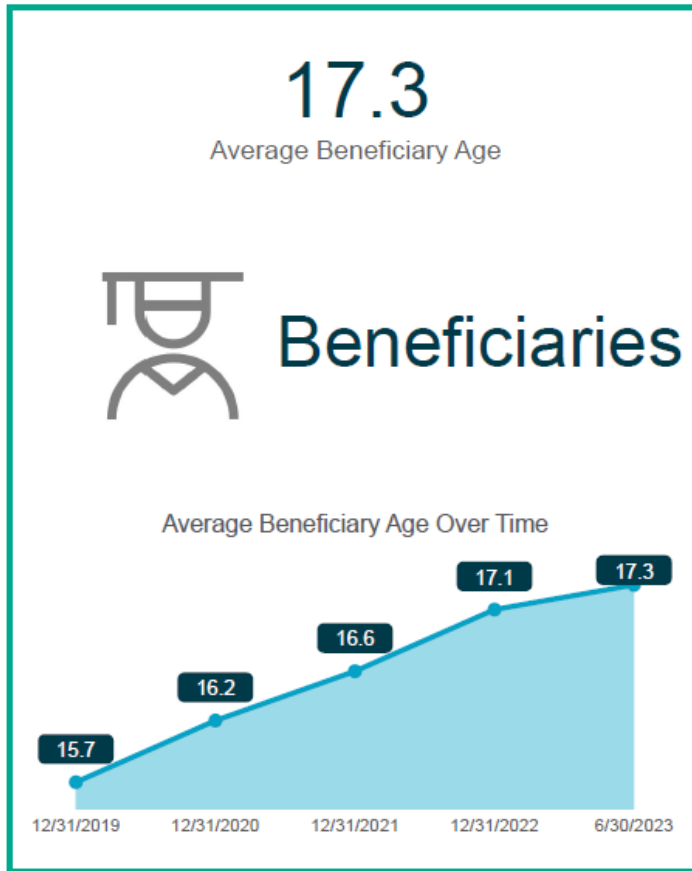
- Advisor-Sold Plan
 - Principal
- Assets – \$1.59 billion*
 - NM assets \$228million
- Accounts – 77.7K*
 - NM Accounts
 - Approx. 11.5K accounts
 - Avg. funded account size \$20K
 - Avg. beneficiary age 14.8

**as of 8/31/2023*

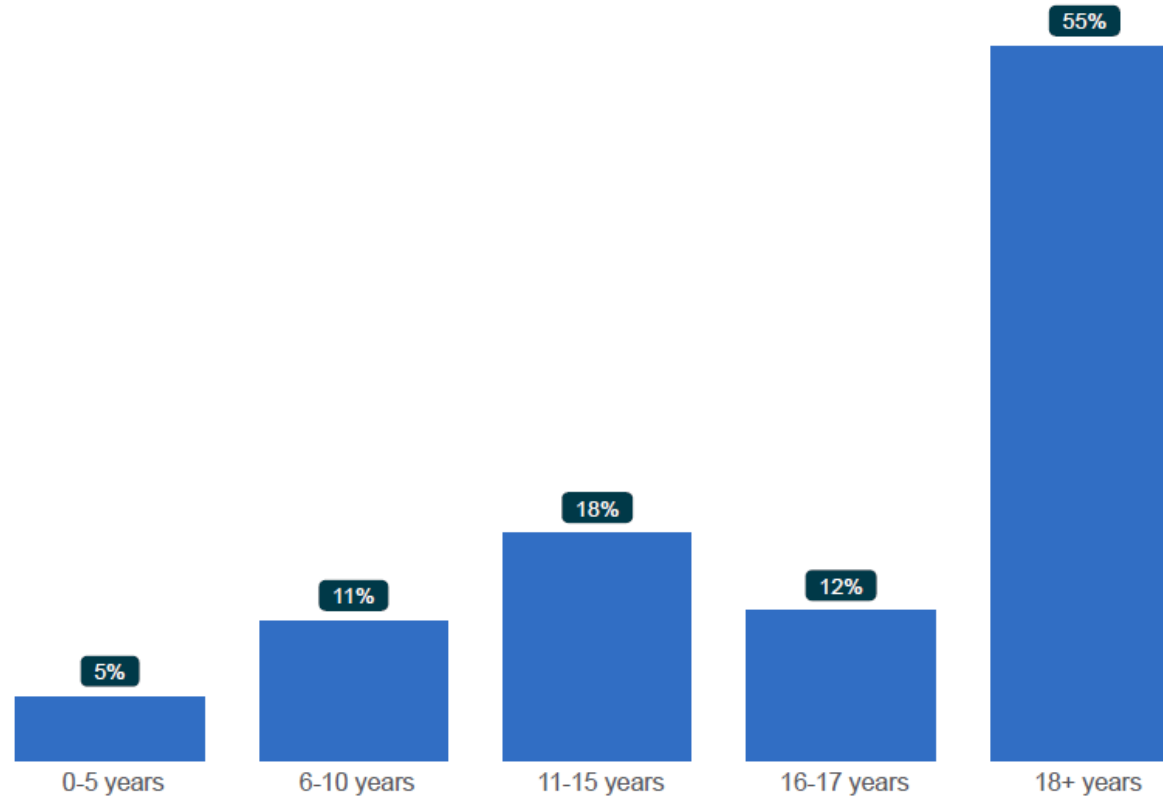


Scholar's Edge

Beneficiary Age Group Analysis

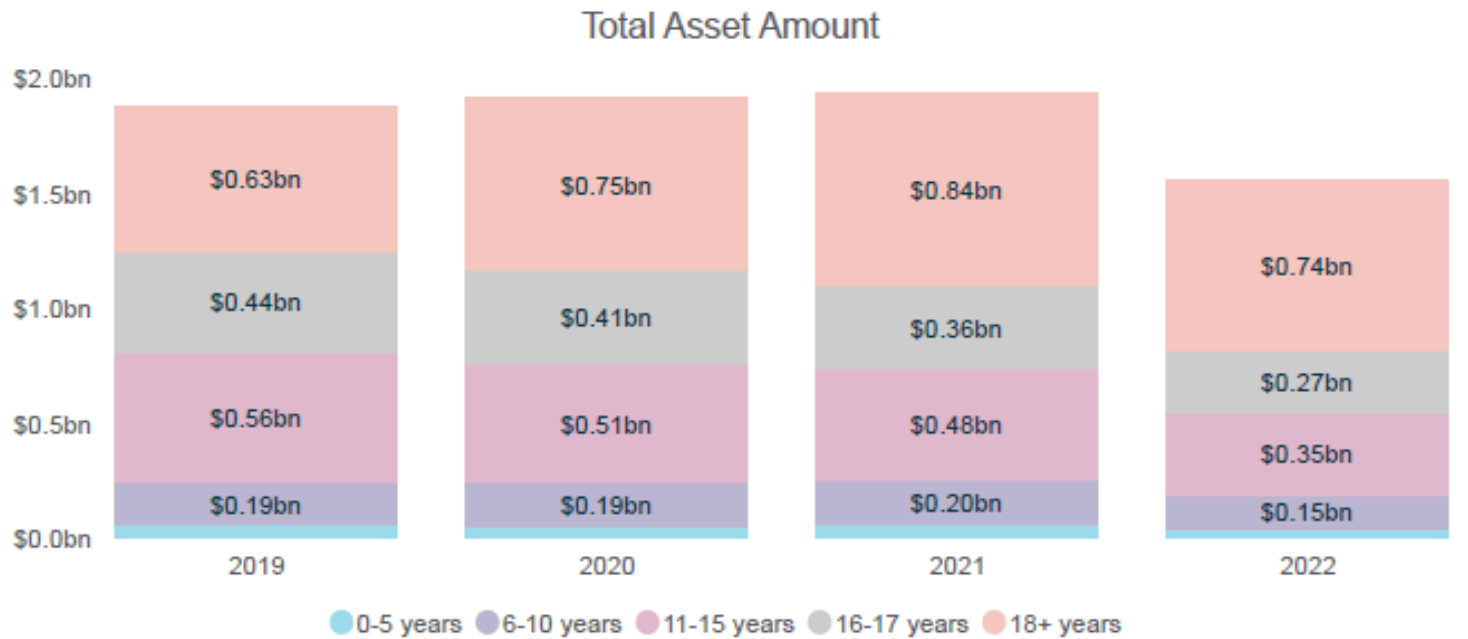


Percent of Current Beneficiaries By Age Group



Scholar's Edge

Beneficiary Age Group Analysis



The Education Plan

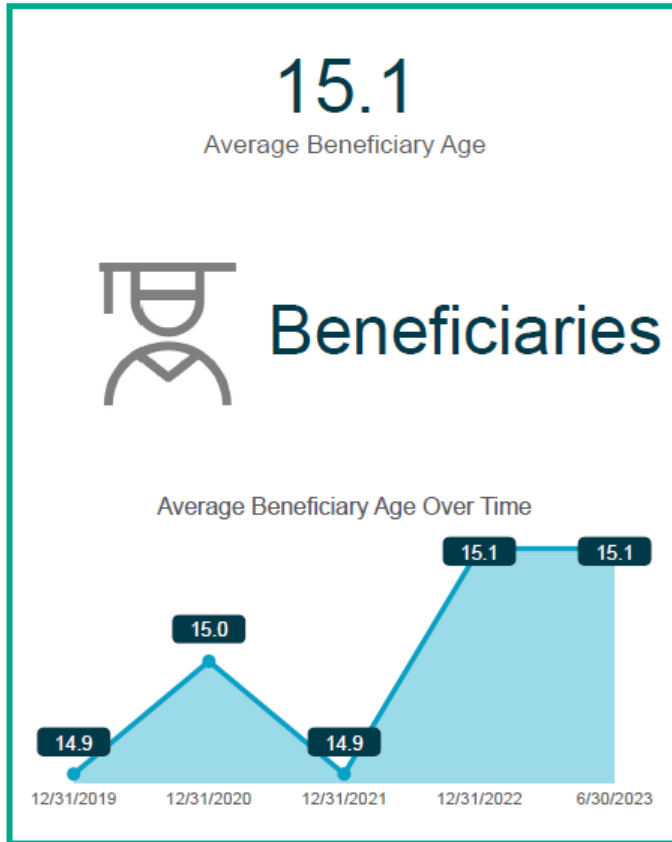
- Direct-Sold Plan
 - Ascensus
- Assets – \$627 million*
 - NM assets \$381 million
- Accounts – 28.2K*
 - NM Accounts
 - Approx. 16K accounts
 - Avg. funded account size \$23K
 - Avg. beneficiary age 13.6

**as of 8/31/2023*

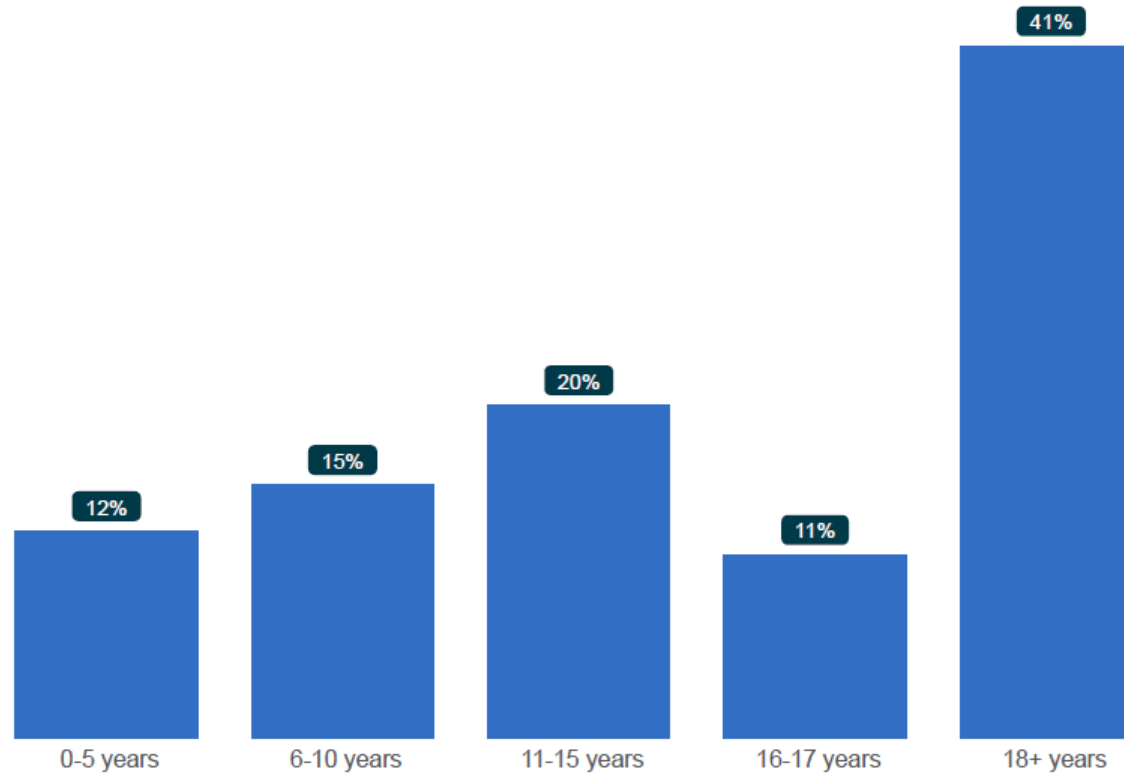


The Education Plan

Beneficiary Age Group Analysis

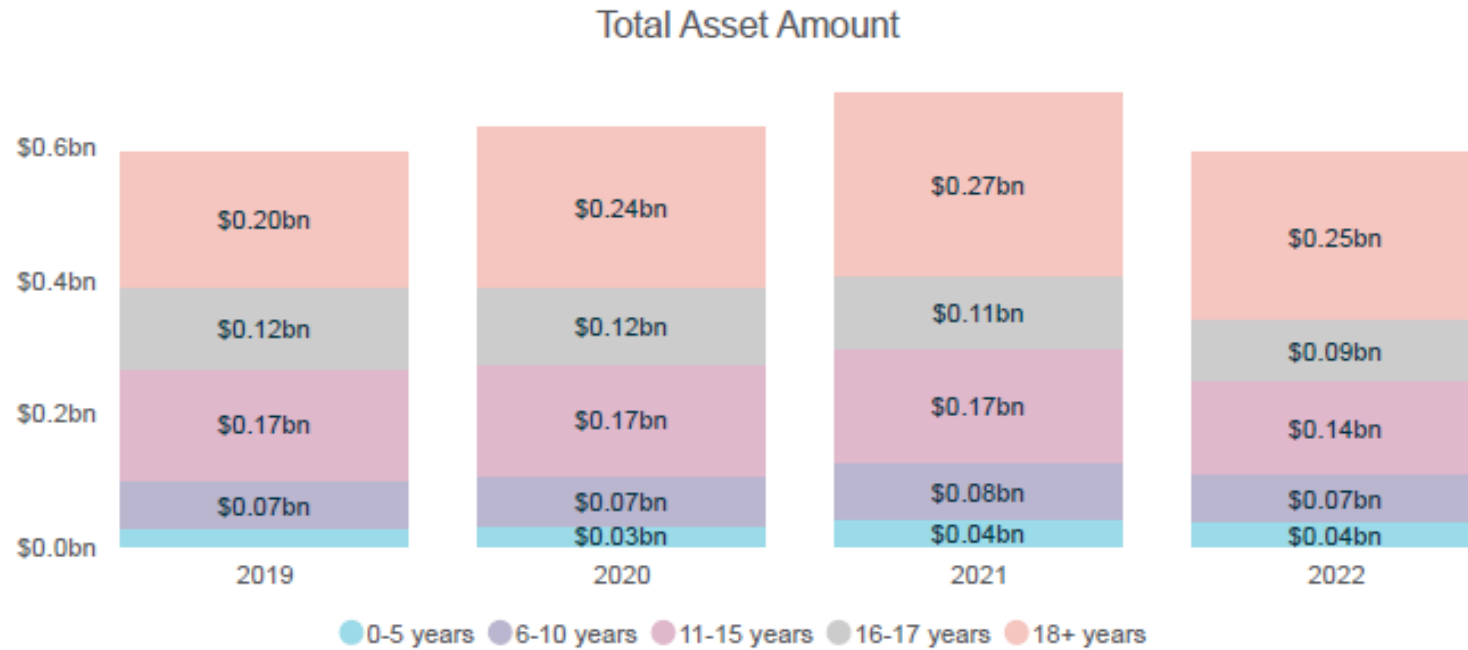


Percent of Current Beneficiaries By Age Group



The Education Plan

Beneficiary Age Group Analysis





NM ETB Program Manager

Ascensus currently serves as the program manager for the NM education savings program and is responsible for

- Program Administration
- Customer Service and Recordkeeping
- Investment Management
- Marketing and Distribution of Scholar's Edge
 - Sub to Principal

Ascensus replaced OppenheimerFunds as program manager in December 2019



Year in Review

ETB Updates

INVESTMENTS

- Completed Annual Review (TEP and SE)
 - Underlying fund review
 - SE – Further Analysis on underperforming Fund
- Named top 529 plan by Savingforcollege.com
 - TEP 5 caps (residents and non-residents)
 - SE 5 caps residents and 4.5 caps non-residents
- Top rated 3-year performance
- Annual Audit
 - Consecutive years with clean opinion

LEGISLATIVE UPDATES

- Successfully aligned legislation with Federal qualified education expenses for 529 plans
 - House Bill 342 passed unanimously
 - Changes to Education Trust Act and Tax Code to align with federal definition of allowable expenses
 - Effective June 16, 2023

OPERATIONS/PLAN FEATURES

- Statewide privately-funded college awards program
 - 1st year of program complete
 - Administered through NM Community Trust (Albuquerque Community Foundation)
 - Focus low-income and underserved community
- Mobile app for TEP
 - Higher than average on platform
- Key communications to account holders
 - Bi-weekly and monthly emails with topical content
- Improved website platform
 - Includes fully integrated CRM system
 - Improved website and search engine optimization
 - Raise additional awareness and education of key audiences, creating interest, and prioritizing customer retention and Building customer advocacy



THE PROGRAM

Launched in 2022, the Saving for Success Award Program is an education savings award program administered by New Mexico Community Trust with a mission to make higher education more affordable and accessible, especially to students in New Mexico who have financial need.

Each award cycle, up to fifty eligible students in New Mexico will receive a Saving for Success Award, based on academic achievement, community involvement, and higher education goals.



THE GOAL

The goal of the Saving for Success Award program is to prepare eligible K-8 students in New Mexico for future success in higher education through financial literacy education, encouragement and an award of up to \$1,000 in initial value invested in a 529 education savings account with The Education Plan®, New Mexico's 529 education savings plan.



HOW TO APPLY

Sign up for the newsletter on SavingforSuccessNM.com to be the first to know when the program will begin accepting applications for your eligible student!

Initial funding for this award program was provided by the Jack Beaty Educational Scholarship Foundation. The Foundation was created to carry out the final wishes of long-time New Mexico businessman and political leader Jack Beaty to fund college expenses for low-income New Mexico students.



Donate to the Saving for Success Award Fund by visiting:
go.abqcf.org/nmct-success



The Education Plan is New Mexico's state-sponsored 529 education savings plan administered by Education Trust Board of New Mexico.



Saving for Success Award



College savings
scholarships for
K-8 students.



Apply Today!



Jump start their
bright future.

Marketing Outreach Updates

TEP MARKETING/SALES

- Continued outreach to account holders
 - Statewide – 191 municipalities and rural communities
 - National – account holders in every US state and territory
- LEGISLATION
 - Podcast, tv interviews – statewide, radio interviews
- Public relations efforts statewide and nationally
 - 2,482 new stories
 - 1.5 billion impression
 - \$13.5 M advertising value and \$135 M PR value
- Increased partnerships, outreach and education
 - NM nonprofits
 - Municipal and government agencies
 - Schools
- Introduced Teppie the Turtle

SE MARKETING/SALES

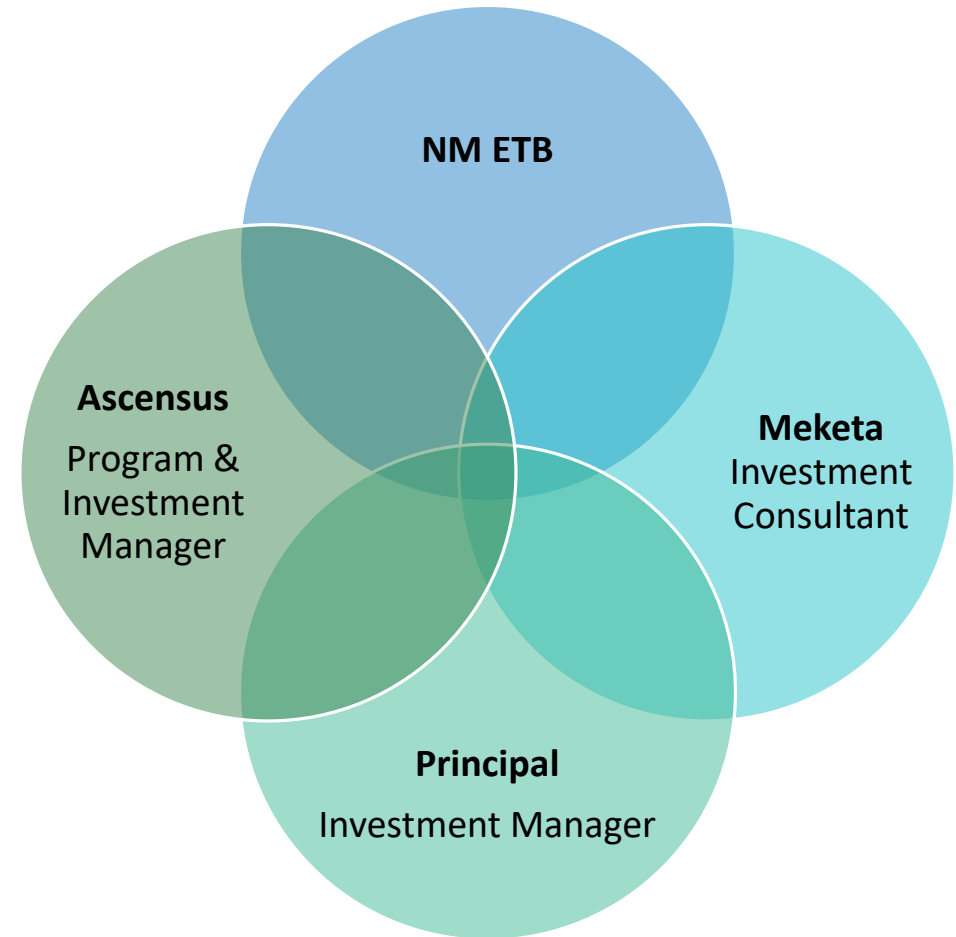
- Website features
 - Four education savings and payment calculators
 - College savings estimator
 - State tax deduction
 - Student loan repayment
 - Financial aid
- Savings resources for multiple generations
- Relevant and timely commentary on market impacts
 - Inflation
- Connections to other savings vehicles
 - Retirement
- Social media and email template libraries
- Omnibus with Fidelity



Investments

Process

- **Engage all resources for best outcome**
 - Education Trust Board/Staff
 - Program Manager
 - Investment Managers
 - Investment Consultant
- **Provide a diversified set of investment options**
 - Broad based capital market exposure
 - Identify/remove unintended investment biases
 - Inclusive of passive and active options
- **Focus on objectives and desired outcomes**
 - Consider participant characteristics
 - Short accumulation/depletion periods
 - Effectiveness of generating returns relative to the risks incurred
 - Ability to outperform tuition inflation
 - Investment costs matter



Program Overview

- Initiatives in place by TEP and SE to focus on growth and retention
- **A material amount of the funds are highly rated from a star and analyst rating perspective**
 - Utilize 11 fund families
- Broad range of investment options across risk spectrum
 - Year of Enrollment Options
 - New vintage every two years
 - Money market exposure through stable value option (1% floor)
- Static options
 - TEP 8 - 4 active 4 passive
 - SE 4 active
- Individual options
 - TEP (5)
 - SE (16)



- Direct-Sold Plan
- Ascensus
- Assets – \$627 million
- Accounts – 28K



- Advisor-Sold Plan
- Principal
- Assets – \$1.59 billion
- Accounts – 77.7K



Underlying Money Managers

THE EDUCATION PLAN AND SCHOLAR'S EDGE

- Vanguard
- SPDR (State Street)
- Schwab
- iShares (BlackRock)
- DFA
- TIAA
- Prudential
- JP Morgan
- Mainstay
- Principal (Underlying funds and Stable Value)
- NY Life (Stable Value)

Assets by Underlying Fund

- The Education Plan – 6/30/2023

Underlying Fund Name	Ticker	Total	% of Plan
Vanguard Growth and Income	VGIAX	\$ 47,487,524.76	7.42%
DFA Emerging Markets Core Equity I	DFCEX	\$ 8,604,452.35	1.34%
DFA Inflation-Protected Securities I	DIPSX	\$ 1,575,468.98	0.25%
DFA International Core Equity I	DFIEX	\$ 25,282,361.39	3.95%
iShares International Aggregate ETF	IAGG	\$ 22,762,824.35	3.56%
NY Life GIA 10		\$ 112,214,612.72	17.54%
Prudential Global Total Return R6	PGTQX	\$ 2,002,285.68	0.31%
Schwab US REIT	SCHH	\$ 11,982,143.18	1.87%
SPDR® Portfolio Emerging Markets ETF	SPEM	\$ 19,698,624.79	3.08%
TIAA CREF Bond Plus Instl	TIBFX	\$ 6,059,195.42	0.95%
TIAA CREF Real Estate Sec Instl	TIREX	\$ 5,082,516.06	0.79%
TIAA-CREF Social Equity Instl	TISCX	\$ 3,503,179.30	0.55%
Vanguard Developed Markets	VTMNX	\$ 59,784,454.00	9.34%
Vanguard High Yield Corporate Adm	VWEAX	\$ 12,043,756.70	1.88%
Vanguard Short Term Inflation Protected Securities Fund	VTSPX	\$ 17,955,205.76	2.81%
Vanguard Short Term Treasury Index Instl	VSPIX	\$ 65,438,974.34	10.23%
Vanguard Total Bond Market Index ETF	BND	\$ 12,501,648.22	1.95%
Vanguard Total Bond Market II Index I	VTBNX	\$ 68,540,407.03	10.71%
Vanguard Total Stock Market Index Instl Plus	VSMPX	\$ 136,229,080.94	21.29%
Vanguard Ultra Short-Term Bond Admiral	VUSFX	\$ 1,069,993.49	0.17%

Assets by Underlying Fund

- Scholar's Edge— 6/30/2023

Underlying Fund Name	Ticker	Total	% of Plan
iShares Core US Aggregate Bond ETF	AGG	\$ 94,698,023.21	5.76%
iShares S&P 500 Stock Index ETF	IVV	\$ 217,603,707.96	13.24%
iShares Small Cap Index ETF	IJR	\$ 30,306,131.29	1.84%
JPMorgan Emerging Markets Equity R6	JEMWX	\$ 15,022,905.69	0.91%
MainStay MacKay High Yield Corporate Bond Fund	MHYSX	\$ 4,369,426.01	0.27%
Principal Blue Chip R6 Fund	PGBHX	\$ 120,668,997.26	7.34%
Principal Equity Income Inst Fund	PEIIX	\$ 104,872,979.95	6.38%
Principal Guaranteed Option	N/A	\$ 272,136,609.58	16.56%
Principal Income R6 Fund	PICNX	\$ 383,075,858.33	23.31%
Principal Real Estate Securities R6 Fund	PFRSX	\$ 9,569,579.84	0.58%
Principal Short-Term Income Inst Fund	PSHIX	\$ 164,911,375.46	10.04%
Principal Diversified International R6 Fund	PDIFX	\$ 160,334,107.33	9.76%
Vanguard Mid Cap Index Institutional Plus	VMCPX	\$ 60,392,799.52	3.68%
Vanguard Total International Bond ETF	BNDX	\$ 787,541.70	0.05%
Vanguard Total World Stock ETF	VT	\$ 4,295,454.24	0.26%

Thank you

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