

Presentation to the:

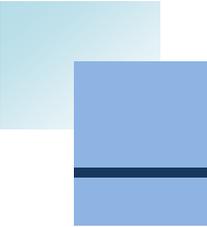
INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE

Education Trust Board



Agenda

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New Mexico 529 Programs – Introductory Comments

About PCA

- Pension Consulting Alliance, Inc. (PCA) is an independent, full-service investment consulting firm providing a broad range of investment advice to a wide variety of sophisticated institutional investors

- Investment consulting is PCA's only line of business

- PCA began consulting to the Education Trust Board in December 2011
 - Prior to this, PCA did not provide consulting services to any 529 programs run by Oppenheimer

- PCA now provides investment consulting services to 8 state-run 529 College Savings Plans totaling \$27.7 billion in client assets

Board Governance and Oversight Process

MANAGER MONITORING

- The Education Trust Board (ETB) utilizes its team of consultants to develop and implement a monitoring and guidelines process:
 1. Establish Monitoring Criteria via Investment Policy and Monitoring Guidelines Document
 2. Consultant reports to the ETB any breaches to criteria set forth in the document, and communicates with Program Manager
 3. Consultant Monitors and Reports to the ETB on Improvement/Deterioration, and Discussions with Program Manager
 4. Recommendations to the ETB to Terminate, Restore to Normal Status, or Continue to Monitor are required no later than a 12-18 month time period

- Reports provided by PCA to the Education Trust Board
 - Monthly “Performance Flash Report” on all underlying mutual funds
 - Monthly “Investment Risk Metrics Report”
 - Quarterly Investment Monitoring Report
 - Quarterly “Watchlist” Review and Update Memo
 - Assessment of Oppenheimer’s Annual Program Review

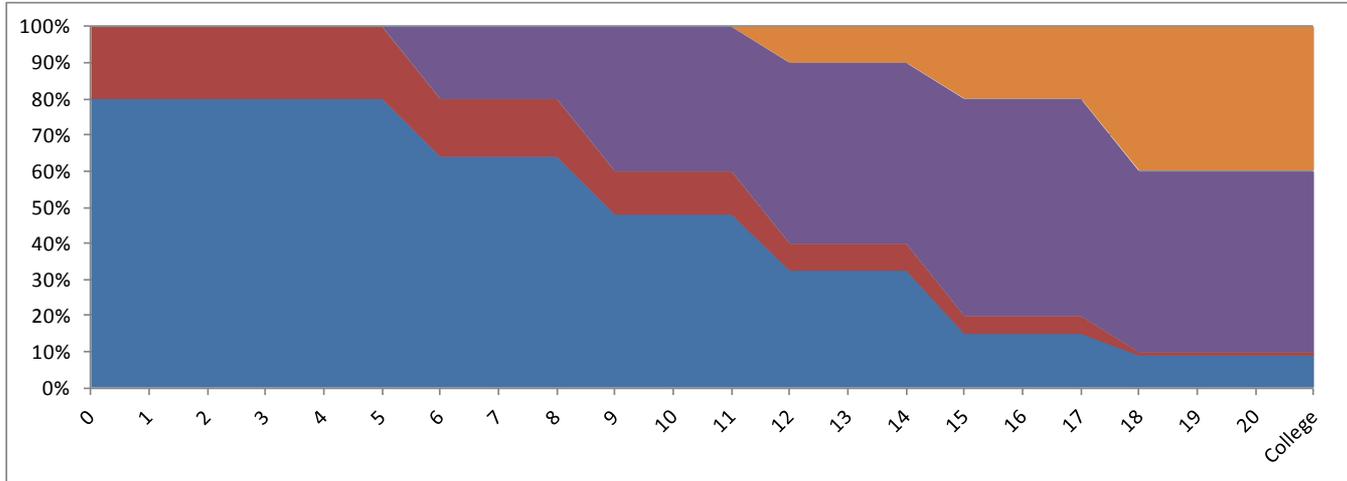


New Mexico 529 Programs - Structure

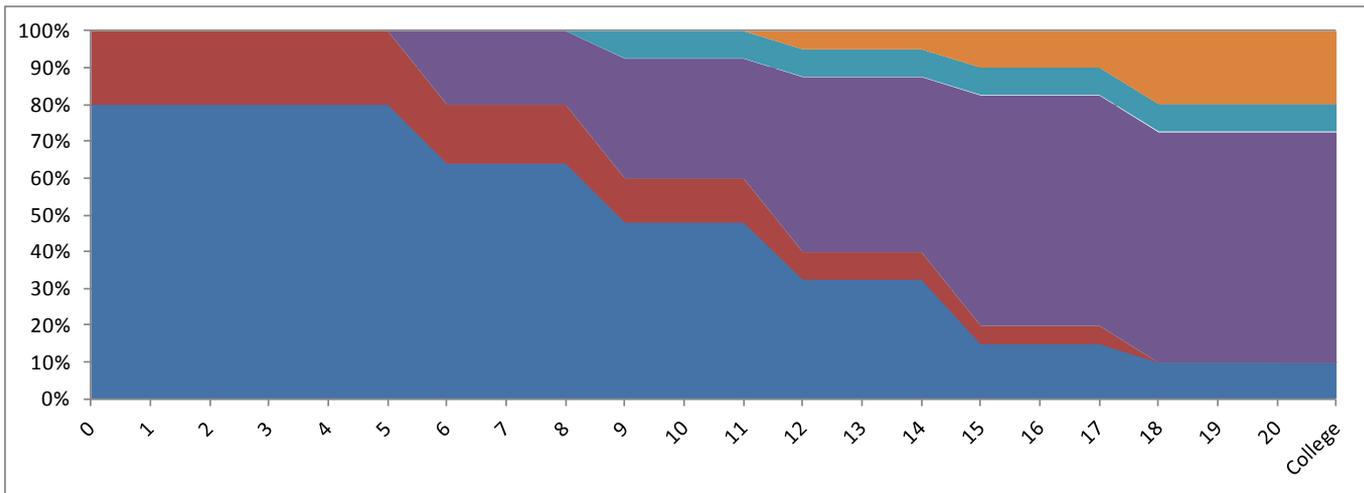
- New Mexico College Savings Programs consist of two separate Programs
 - The Education Plan – sold directly to participants
 - The Scholar’s Edge Plan – sold through investment advisors
- Most participants in each plan tend to select an age-based portfolio option
 - Utilizes a glide path structure typically 20 – 22 years in length
 - Typical glide path begins with equity allocation 80% at age 0
 - 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)
- See chart on next page

New Mexico 529 Programs - Structure

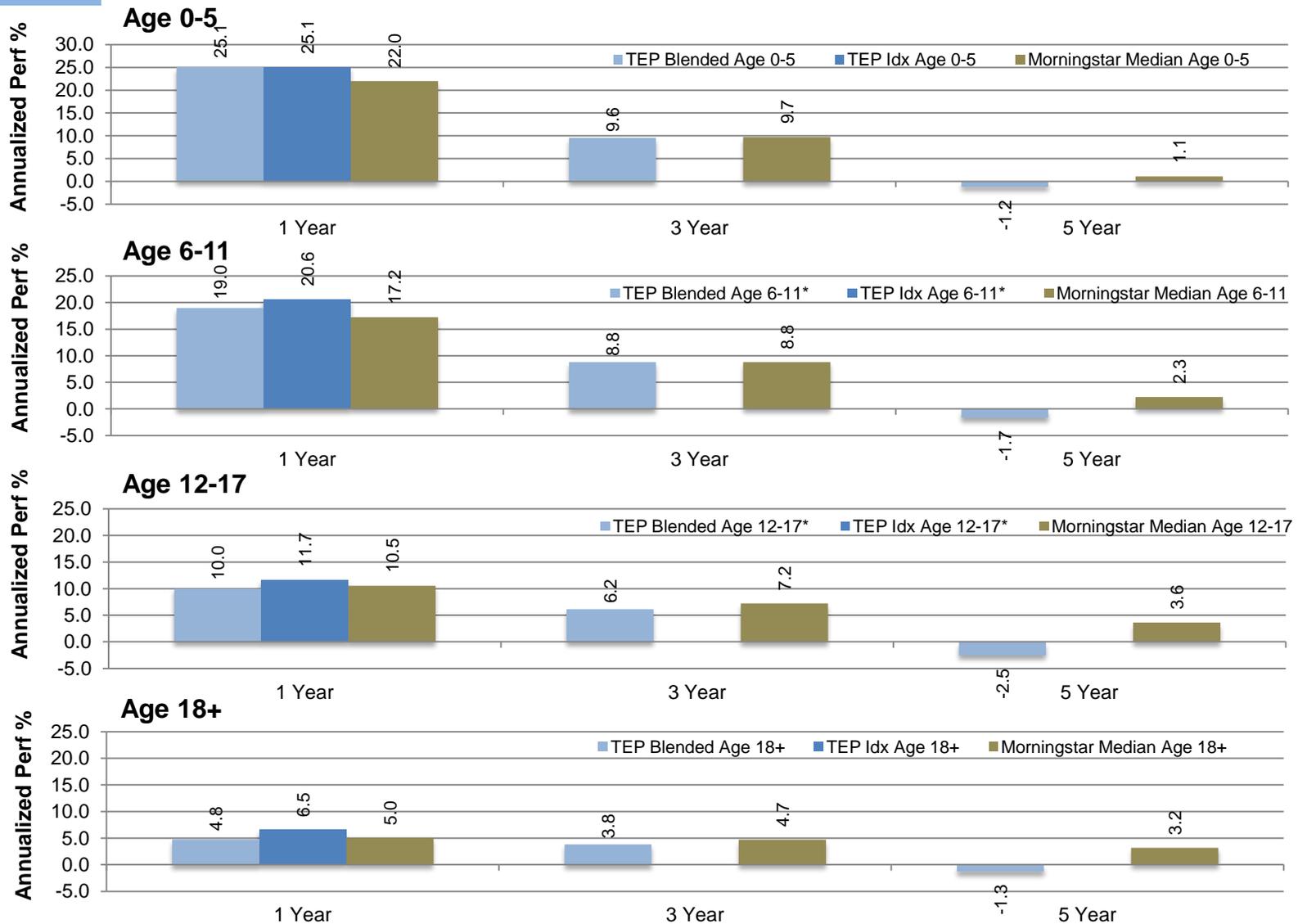
The Education Plan Direct Sold Program



The Scholar's Edge Advisor Sold Program



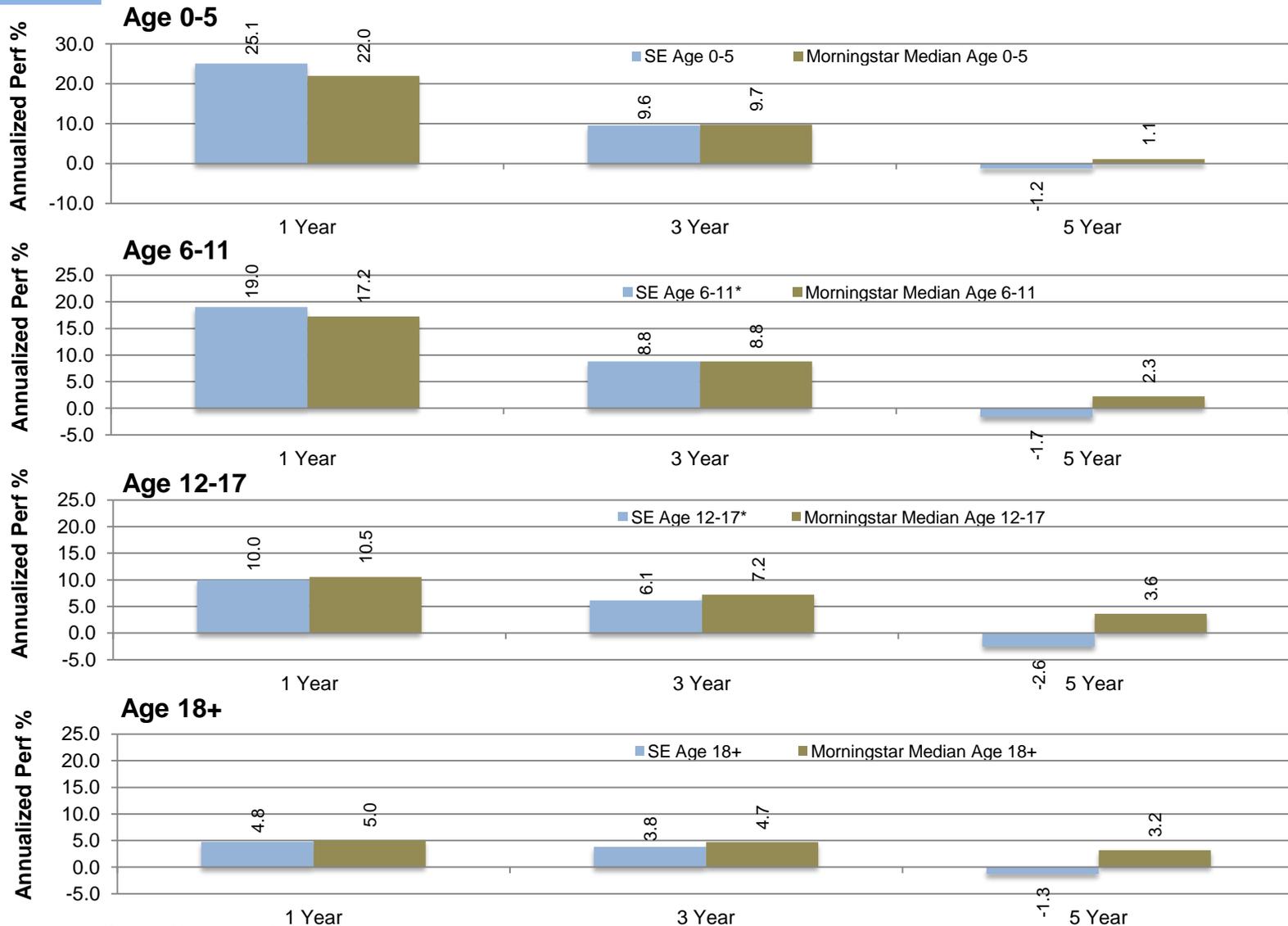
The Education Plan – Annualized Performance (9/30/2012)



Source: Morningstar Direct

*Reflects average returns between two TEP Portfolios: i.e. TEP Age 6-11 combines Age 6-8 and Age 9-11, and TEP Age 12-17 combines Age 12-14 and Age 15-17

Scholar's Edge Plan – Annualized Performance (9/30/2012)



Source: Morningstar Direct

*Reflects average returns between two SE Portfolios: i.e. SE Age 6-11 combines Age 6-8 and Age 9-11, and SE Age 12-17 combines Age 12-14 and Age 15-17

Performance as of 9/30/2012 – Flash Reports

New Mexico The Education Plan Flash Report Performance as of September 30, 2012

Fund (Ticker)/Benchmark	Morningstar Category	Quarter		1 Year		3 Year		5 Year	
		Return	Rank	Return	Rank	Return	Rank	Return	Rank
Dreyfus Basic S&P 500 Stock Index (DSPIX)	US OE Large Blend	6.28	42	30.00	21	13.05	17	0.93	31
S&P 500 TR		6.35		30.20		13.20		1.05	
<i>Difference</i>		<i>-0.08</i>		<i>-0.20</i>		<i>-0.15</i>		<i>-0.12</i>	
Vanguard Total Stock Market Index Fund (VTSSX)	US OE Large Blend	6.23	45	30.29	17	13.38	11	1.56	18
MSCI US Broad Market GR USD		6.24		30.30		13.40		1.55	
<i>Difference</i>		<i>0.00</i>		<i>-0.01</i>		<i>-0.02</i>		<i>0.02</i>	
Oppenheimer Capital Appreciation Y (OTCYX)	US OE Large Growth	6.49	38	26.38	51	10.44	70	-1.01	85
Russell 1000 Growth TR		6.11		29.19		14.73		3.24	
<i>Difference</i>		<i>0.38</i>		<i>-2.80</i>		<i>-4.30</i>		<i>-4.25</i>	
Oppenheimer Value Y (CGRYX)	US OE Large Value	6.94	21	23.26	86	8.16	84	-2.01	73
Russell 1000 Value TR		6.51		30.92		11.84		-0.90	
<i>Difference</i>		<i>0.43</i>		<i>-7.66</i>		<i>-3.67</i>		<i>-1.11</i>	
Vanguard Extended Market Index Fund (VIEIX)	US OE Mid-Cap Blend	5.56	41	30.43	18	14.10	11	2.77	24
S&P Completion TR USD		5.59		30.37		13.96		2.60	
<i>Difference</i>		<i>-0.02</i>		<i>0.06</i>		<i>0.14</i>		<i>0.16</i>	
Oppenheimer Main Street Sm & Mid Cap Y (OPMYX)	US OE Small Blend	3.76	86	31.65	33	12.82	40	2.12	42
Russell 2500 TR USD		5.57		30.93		14.06		2.80	
<i>Difference</i>		<i>-1.81</i>		<i>0.71</i>		<i>-1.24</i>		<i>-0.68</i>	
TIAA-CREF International Equity Index Fund I (TCIEIX)	US OE Foreign Large Blend	6.43	52	15.10	59	2.21	60	-5.12	49
MSCI EAFE NR USD		6.92		13.75		2.12		-5.24	
<i>Difference</i>		<i>-0.49</i>		<i>1.35</i>		<i>0.09</i>		<i>0.12</i>	
Dreyfus Bond Market Index Fund - Basic (DBIRX)	US OE Intermediate-Term Bond	1.60	83	5.02	84	5.91	80	6.29	56
BarCap US Agg Bond TR USD		1.58		5.16		6.19		6.53	
<i>Difference</i>		<i>0.02</i>		<i>-0.14</i>		<i>-0.28</i>		<i>-0.24</i>	
Vanguard Intermediate Term Bond Index Fund - Signal (VIBSX)	US OE Intermediate-Term Bond	2.46	50	8.20	39	8.90	15	8.48	7
BarCap US Govt/Credit 5-10 Yr TR USD		2.46		8.23		8.91		8.39	
<i>Difference</i>		<i>0.00</i>		<i>-0.03</i>		<i>-0.01</i>		<i>0.09</i>	

Source: Morningstar Direct

Performance as of 9/30/2012 – Flash Reports

New Mexico Scholar's Edge Flash Report Performance as of September 30, 2012

Fund (Ticker)/Benchmark	Morningstar Category	Quarter		1 Year		3 Year		5 Year	
		Return	Rank	Return	Rank	Return	Rank	Return	Rank
MainStay MAP I (MUBFX)	US OE Large Blend	6.70	27	27.55	51	10.56	58	0.50	44
Russell 3000 TR USD		6.23		30.20		13.26		1.30	
Difference		0.47		-2.65		-2.69		-0.80	
Oppenheimer Capital Appreciation Y (OTCYX)	US OE Large Growth	6.49	38	26.38	51	10.44	70	-1.01	85
Russell 1000 Growth TR		6.11		29.19		14.73		3.24	
Difference		0.38		-2.80		-4.30		-4.25	
Oppenheimer Value Y (CGRYX)	US OE Large Value	6.94	21	23.26	86	8.16	84	-2.01	73
Russell 1000 Value TR		6.51		30.92		11.84		-0.90	
Difference		0.43		-7.66		-3.67		-1.11	
Invesco Mid Cap Core Equity I (GTAVX)	US OE Mid-Cap Blend	3.09	90	16.43	94	6.50	91	1.90	40
Russell Mid Cap TR USD		5.59		28.03		14.26		2.24	
Difference		-2.49		-11.60		-7.76		-0.34	
Oppenheimer Main Street Sm & Mid Cap Y (OPMYX)	US OE Small Blend	3.76	86	31.65	33	12.82	40	2.12	42
Russell 2500 TR USD		5.57		30.93		14.06		2.80	
Difference		-1.81		0.71		-1.24		-0.68	
Oppenheimer International Growth Y (OIGYX)	US OE Foreign Large Growth	8.14	11	20.15	22	7.99	17	-0.66	11
MSCI EAFE NR USD		6.92		13.75		2.12		-5.24	
Difference		1.21		6.39		5.87		4.58	
Thornburg International Value I (TGVIX)	US OE Foreign Large Growth	6.14	70	14.47	84	4.32	69	-3.34	52
MSCI EAFE NR USD		6.92		13.75		2.12		-5.24	
Difference		-0.78		0.72		2.20		1.90	
American Century Diversified Bond Instl (ACBPX)	US OE Intermediate-Term Bond	1.94	73	6.69	65	6.52	67	7.28	27
BarCap US Agg Bond TR USD		1.58		5.16		6.19		6.53	
Difference		0.35		1.53		0.33		0.75	
Oppenheimer Global Strategic Inc Y (OSIYX)	US OE Multisector Bond	4.43	26	12.82	49	10.08	33	6.39	68
BarCap US Agg Bond TR USD		1.58		5.16		6.19		6.53	
Difference		2.85		7.66		3.90		-0.14	

Source: Morningstar Direct

Performance as of 9/30/2012 – Flash Reports

New Mexico Scholar's Edge Flash Report (Continued) Performance as of September 30, 2012

Fund (Ticker)/Benchmark	Morningstar Category	Quarter		1 Year		3 Year		5 Year	
		Return	Rank	Return	Rank	Return	Rank	Return	Rank
Oppenheimer International Bond Y (OIBYX)	US OE World Bond	4.66	29	9.71	25	5.33	50	6.58	39
Citi WGBI NonUSD USD		3.98		3.46		4.02		6.56	
Difference		0.68		6.25		1.30		0.02	
MainStay High Yield Corporate Bond I (MHYIX)	US OE High Yield Bond	4.40	42	16.04	84	11.31	59	7.42	45
Credit Suisse HY USD		0.00		0.00		0.00		0.00	
Difference		4.40		16.04		11.31		7.42	
Oppenheimer Limited-Term Government Y (OLTYX)	US OE Short Government	1.36	3	3.30	3	3.96	7	2.73	66
BarCap US Govt 1-3 Yr TR USD		0.26		0.65		1.49		2.94	
Difference		1.10		2.66		2.47		-0.21	

Source: Morningstar Direct

Overview of Current 529 Fee Ranges¹

Plans	Underlying Fund Expenses	Program Management Fees	State Fees	Annual Servicing Fees	Total Fees	Account Fees
Direct (61 Plans)	0.0175% ~ 1.82%	0.00% ~ 0.77%	0.00% ~ 0.125%	0% ~ 0.19%	0.047% ~ 1.97%	\$0~30
Education Plan	0.16% ~ 0.51%	0.10%	0.05% ~ 0.10%	0%	0.31% ~ 0.71%	\$25
Advisor (34 Plans)	0.0175% ~ 1.82%	0.04% ² ~ 0.70%	0.02% ~ 0.25%	0.25% ³ ~ 0.35%	0.20% ~ 1.97%	\$0~50
Scholar's Edge	0.01% ~ 0.95%	0.10%	0.10%	0.25% ⁴	0.37% ~ 1.40%	\$25

Source: Savingforcollege.com data and Plan Offering Documents as of November 15, 2012

¹ Does not include Bank, Stable Value, Principal Protection or other "zero cost" investment options

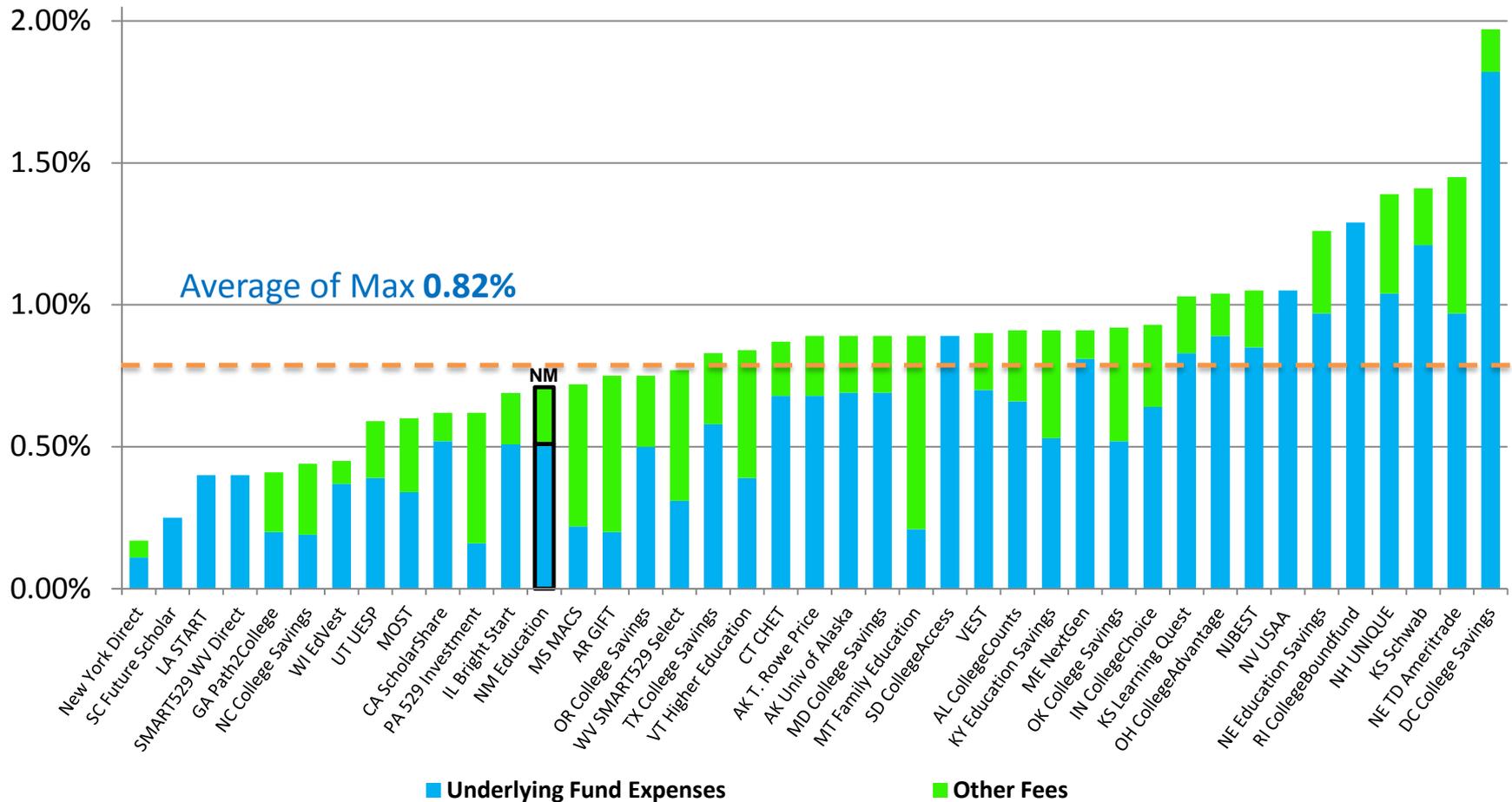
² AZ, ME and VA have options with zero Program Management Fees

³ AR, DC, ME and MS do not charge Annual Servicing Fees. Does not include money market options

⁴ Scholar's Edge Short Term Yield Portfolio has 0% Annual Servicing Fees



Select Direct Plan Maximum Fees



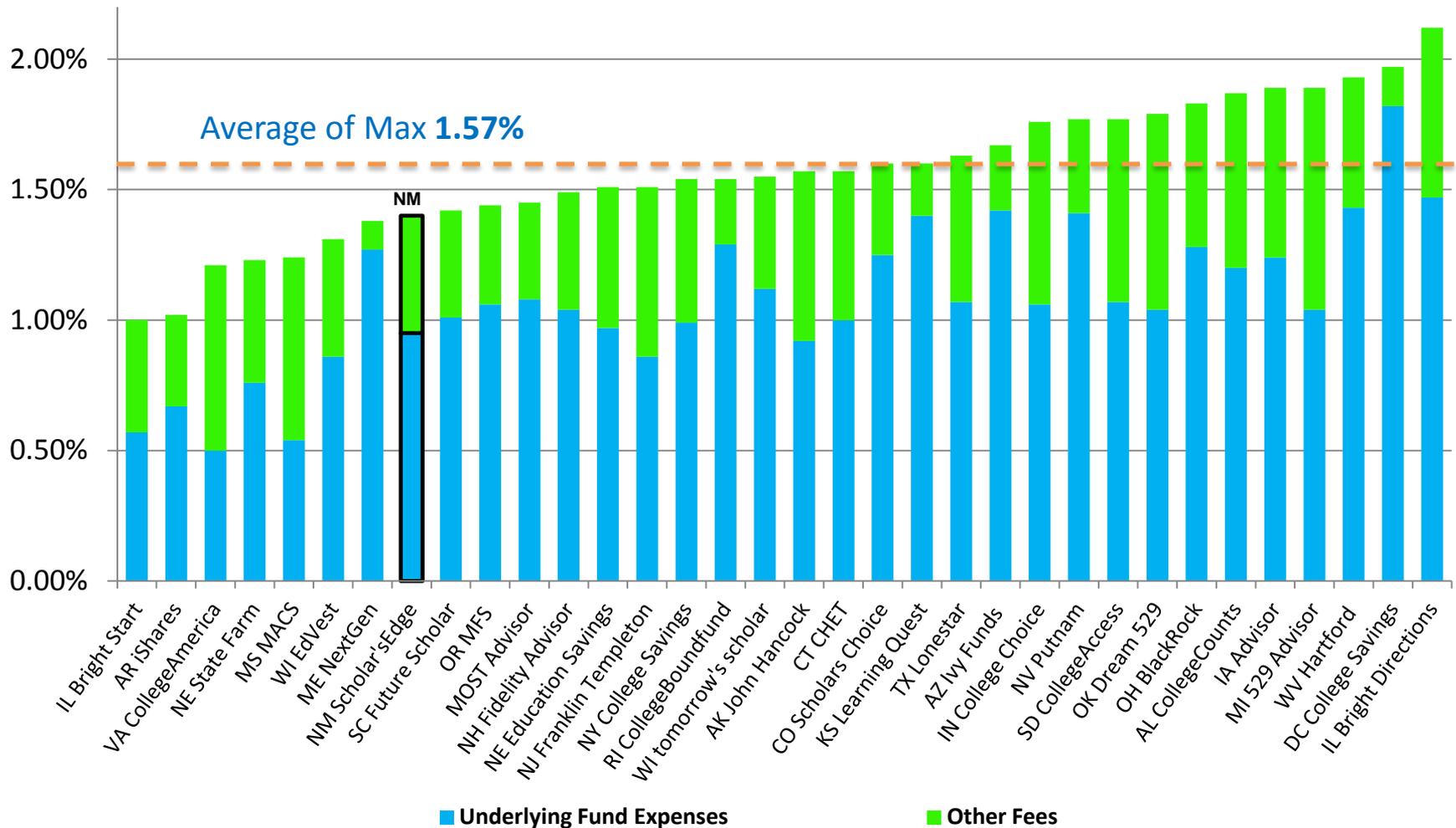
Source: Savingforcollege.com and Plan Offering Documents as of November 14, 2012

Graph does not include (1) Bank Plans in AZ, CO, IN, MT and VA; (2) Fidelity-managed Plans in AZ, DE and MA; (3) Upromise-managed Plans in HI, IA, ND and NV; and (4) TFI-managed Plans in MI and MN

With DC 529 included, average maximum fee would be 0.85%



Select Advisor Plan Maximum Fees



Source: Savingforcollege.com and Plan Offering Documents as of November 14, 2012

Maximum Fees represent A Shares

