

MINUTES

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

June 14, 2023

The Higher Education Student Assistance Authority (HESAA) Board held a remote teleconference meeting on March 22, 2023 at 10:00 am via Zoom.

PRESENT: HESAA Board Members: Isabella Berdugo-Hernandez; Dr. Brian Bridges, Secretary of Higher Education; Ms. Ms. Nicolette Carpenter; Ms. Beatrice Daggett; Ms. Jean McDonald Rash; Ms. Shernelle Pringle; Mr. Scott Salmon; Mr. David Socolow; Mr. Robert Tighue, Treasurer's Designee; Dr. Nelson Turcios; Ms. Christy Van Horn, Chair; and Mr. Byron Ward.

ABSENT: None.

CALL TO ORDER

Christy Van Horn called the meeting to order at 10:00 am. David Socolow stated that the meeting had been noticed in compliance with the requirements of the Open Public Meetings Act.

Ms. Van Horn welcomed the Board members and advised that since this meeting is being held remotely, Roseann Sorrentino would conduct a roll call for the resolutions.

Ms. Van Horn welcomed Janice Venables, Associate Counsel from the Governor's Authorities Unit; and Erin Herlihy, Deputy Attorney General from the New Jersey Division of Law.

Ms. Van Horn asked Ms. Sorrentino to call the roll.

RESOLUTION 08:23 APPOINTING A CONSULTANT FOR 529 PLANS

Jerry Traino presented Resolution 08:23 to the Board.

Good Morning, members of the Board. I appreciate the opportunity to discuss Resolution 08:23. With your approval, 08:23 will authorize the appointment of the Meketa Investment Group, Inc. as the Authority's fiduciary consultant for the New Jersey Better Educational Savings Trust, or NJBEST, the State's 529 College Savings Plan. The contract with Meketa will have a term of two years, plus three optional one-year extensions at the Authority's discretion.

As noted in the memo to the Board, this past April HESAA issued an RFP seeking proposals from firms interested in servicing as the Authority's investment consultant for the NJBEST college savings program. In response HESAA received 5 proposals from interested firms.

A selection committee including HESAA's Chief Financial Officer and the Authority's Deputy Chief of Staff, as well as the Deputy Director and Deputy Chief Information Officer of the State's Division of Investments, Lisa Walker, who is here on the call today, convened to review and rate the five proposals based on the quality of each response, each firm's relevant experience and ability to meet the Authority's needs, as well as the proposed fee. The committee's evaluation scores

ranked the Meketa Investment Group's proposal considerably higher than those of the other four firms that submitted bids.

The committee notes that Meketa is a full-service investment consulting and advisory firm which will provide HESAA with a full range of services including but not limited to investment policy and plan development; strategic asset allocation studies and liability modeling; investment manager searches, evaluation, and selection as well as on going investment manager monitoring; ongoing fund performance evaluation; and Fund Fee reviews.

Meketa has been providing similar services to institutional clients for over 40 years and has extensive knowledge of Section 529 of the U.S. Internal Revenue Code. Currently Meketa Investment Group works with ten 529 Plan clients, such as the Massachusetts Educational Financing Authority, the Finance Authority of Maine, and the New Mexico Education Trust Board, and has over \$95 billion in such assets under advisement.

As you are aware, HESAA currently engages with an Investment Manager for our 529 Plan, Franklin Templeton, which provides certain distribution, investment management, and administrative services for the NJBEST program. Meketa's role as an investment consultant will be collaborative with, but independent of, the investment manager. The Investment Consultant will have the fiduciary obligation of monitoring and evaluating the investment policies that the Investment Manager recommends to HESAA.

The Authority believes the primary objective of the NJBEST college savings plan is to assist individuals and their families to save and pay for qualified higher education expenses through understandable investment options with attractive program features and benefits. Engaging an Investment Consultant will uphold best practices standards for NJBEST and will bring the program in line with other states' 529 college savings plans. By providing an additional level of due diligence, the Authority looks to broaden NJBEST's appeal to New Jersey residents and families and enhance the program's measurement against industry analytics.

Therefore it is recommended that the Board approve the Resolution 08:23 which appoints Meketa Investment Group, Inc., as the Authority's fiduciary consultant for the NJBEST Program.

A motion to approve Resolution 08:23 was made by Ms. Jean McDonald Rash and seconded by Ms. Bea Daggett.

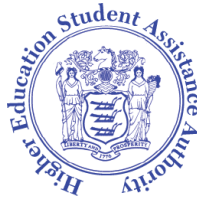
The motion passed unanimously.

ADJOURNMENT

Ms. Van Horn advised that the next regularly scheduled Board meeting is Wednesday, July 26, 2023.

A motion to adjourn was made by Mr. Scott Salmon and seconded by Dr. Brian Bridges. The motion passed unanimously.

The meeting adjourned at 10:11 am.



State of New Jersey

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PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

DAVID J. SOCOLOW
Executive Director

MEMORANDUM

TO: Members, Higher Education Student Assistance Authority

THROUGH: David J. Socolow
Executive Director 

FROM: Jerry Trainor 
Chief Financial Officer

SUBJECT: Resolution 08:23 Appointing a Consultant for 529 Plans

DATE: June 14, 2023

Background

On April 3, 2023 the Higher Education Student Assistance Authority (“HESAA” or the “Authority”) issued a Request for Proposals (RFP) seeking proposals from firms interested in serving as a fiduciary consultant for the New Jersey Better Educational Savings Trust (NJBEST) Program (the “Program” or the “NJBEST Program”), a tax-advantaged savings plan designed to help families save for education pursuant to section 529 of the Federal Internal Revenue Code of 1986, 26 U.S.C. § 529 (aka, a “529 College Savings Plan”). The fiduciary consultant’s responsibilities include evaluating, monitoring, and advising HESAA regarding New Jersey’s 529 College Savings Plan’s program fees, investment policies, and investment manager’s performance. Additionally, the consultant will assist HESAA preparing the next RFP for a 529 College Savings Plan investment manager and in responding to the annual requests for information that are sent to all 529 College Savings Plans nationwide, such as the information annually requested by Morningstar and Savingforcollege.com.

The NJBEST fiduciary consultant to be selected through this RFP will serve for a term of two years with three optional one-year extensions. HESAA issued the RFP by sending it to ten financial consultants; distributing it to two industry groups, the College Savings Foundation and the College Savings Planning Network; posting it on HESAA’s website; and advertising it in the State’s NJ Advance Media and Gannett newspapers.

HESAA received five proposals from: Capital Cities, L.L.C.; Cook Street Consulting; Marquette Associates, Inc.; Meketa Investment Group, Inc.; and Wilshire Advisors LLC.

Selection Process

A three-person evaluation committee consisting of the Deputy Director and Deputy Chief Information Officer for the Division of Investments within the State Department of Treasury, as well as HESAA's Chief Financial Officer and Deputy Chief of Staff, reviewed and scored the five proposals based on the following selection criteria:

1. The relevant experience of the Contractor and staff proposed to be assigned to deliver consulting services to the Authority;
2. The quality of the response to the RFP, including but not limited to the level of detail of the response;
3. The ability to meet the needs of the Authority as detailed in the RFP; and
4. The fee proposed.

Based on their review of the five proposals, the evaluation committee recommends appointing Meketa Investment Group, Inc. (Meketa) as HESAA's fiduciary consultant for the NJBEST Program. The evaluation committee found that Meketa submitted the most comprehensive of all of the proposals. Meketa has over forty years of experience providing similar services and currently works with ten 529 and 529a clients consisting of 24 plans with over \$95 billion in assets under advisement. Meketa's proposal detailed their in-depth approach to analyzing how the investment manager functions and what the investment manager is doing as an organization, as well as the analyzing the investment strategies. Meketa provided a sample analysis of both Morningstar and Savingforcollege.com reports. The evaluation committee also took note of the educational services Meketa provides for their clients, including webinars, educational seminars, and regular educational discussions. Meketa individualizes their services to be as hands on as HESAA requests. The firm has helped clients control costs, reduce risks, and achieve successful investment results.

Meketa offered a fair fee, starting at \$135,000 all-inclusive for year one and escalating to \$158,000 for year five if HESAA were to exercise all of the optional extensions provided under the RFP.

Recommendation

It is recommended that the Board approve the attached Resolution 08:23 Appointing Meketa Investment Group, Inc. as the Authority's fiduciary consultant for the NJBEST Program for a term of two years with three optional one-year extensions.

Attachments

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY				
	529 Investment Consultant				
BIDDER					
Capital Cities, L.L.C.	DATE	5/25/2023			
SUMMARY OF EVALUATION TEAM'S COMMENTS:					
Bidder has a strong portfolio of consulting with both index and active managers. 529 plans are clearly not just a sideline in that \$12 billion of their \$30 billion consulting business is related to 529 plans. However, the bidder only works with three plans. Bidder relies on their subcontractor which appears to do most of the work. Only provided an hourly rate and as this will be HESAA's first 529 consultant, the committee would prefer a set fee.					
Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response					
CRITERIA	Score 1	Score 2	Score 3	WEIGHT	TOTAL
The relevant experience of the Contractor and staff assigned to the Authority	8	3	8	20	380
The quality of the response to the RFP, including but not limited to, the level of detail of the response	7	6	8	30	630
The ability to meet the needs of the Authority as detailed in the RFP	7	2	8	30	510
The fee proposed	3	2	8	20	260
Total	25	13	3	100	1780

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY				
BIDDER		529 Investment Consultant				
Cook Street Consulting		5/25/2023				
DATE						
SUMMARY OF EVALUATION TEAM'S COMMENTS:						
<p>The staff that would work with HESAA are former institutional advisors and are all CFAs. Experience with both stable value funds and money market funds and provided information on how they can assist in the RFP process for investment manager. Provided a good fee structure and are adequately suited to meet HESAA's needs. However, Bidder did not submit any of the State forms as required by the RFP. Only works with one non-profit 529 plan and stated experience is "in excess of 5 years," which seems low. Acquired by Morgan Stanley last year, which bidder states is a positive with regards to compliance, legal, and risk; however, the committee is concerned about how the transition will affect bidder's approach.</p>						
Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response						
CRITERIA						
The relevant experience of the Contractor and staff assigned to the Authority		Score 1	Score 2	Score 3	WEIGHT	TOTAL
		8	2	7	20	340
The quality of the response to the RFP, including but not limited to, the level of detail of the response		6	3	3	30	360
The ability to meet the needs of the Authority as detailed in the RFP		9	3	7	30	570
The fee proposed		8	9	9	20	520
Total		31	17	26	100	1790

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY 529 Investment Consultant			
BIDDER Marquette Associates, Inc.	DATE 5/25/2023				
SUMMARY OF EVALUATION TEAM'S COMMENTS:					
While this bidder consults on five different 529 plans the proposal was not very detailed and the discussion around stable value appeared stale as it talked about expected rising interest rates, which have already occurred. The customized solutions discussed in the proposal could make it difficult for participants to compare offerings to other 529 plans. The proposal did not focus on how the bidder will assist HESAA in presenting New Jersey's programs to Morningstar.					
Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response					
CRITERIA	Score 1	Score 2	Score 3	WEIGHT	TOTAL
The relevant experience of the Contractor and staff assigned to the Authority	9	4	7	20	400
The quality of the response to the RFP, including but not limited to, the level of detail of the response	6	4	8	30	540
The ability to meet the needs of the Authority as detailed in the RFP	7	3	8	30	540
The fee proposed	5	9	7	20	420
Total	27	20	30	100	1900

EVALUATION SCORE SHEET	HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY 529 Investment Consultant				
BIDDER Meketa Investment Group, Inc.	DATE 5/25/2023				
<u>SUMMARY OF EVALUATION TEAM'S COMMENTS:</u>					
This was the most comprehensive of the proposals. Provided sample analysis of Morningstar and Savingforcollege.com reports, as well as an in-depth analysis of investment managers and how they function. They also provide educational services for their clients. Work with ten 529 and 529a clients with 24 plans, including HESAA's contemporaries, MEFA and FAME. Can be as hands on as HESAA needs and provides individualized service. Proposed fee was fair.					
Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response					
CRITERIA	Score 1	Score 2	Score 3	WEIGHT	TOTAL
The relevant experience of the Contractor and staff assigned to the Authority	9	9	8	20	520
The quality of the response to the RFP, including but not limited to, the level of detail of the response	8	8	9	30	750
The ability to meet the needs of the Authority as detailed in the RFP	9	7	9	30	750
The fee proposed	7	3	6	20	320
Total	33	27	32	100	2340

EVALUATION SCORE SHEET		HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY			
BIDDER		529 Investment Consultant			
Wilshire Advisors LLC		5/25/2023			
DATE					
SUMMARY OF EVALUATION TEAM'S COMMENTS:					
<p>This bidder consults on five 529 plans with \$20.5 billion in assets. The bulk of their business in defined contribution plans and 529 plans came across as just a small part of the business. Did not provide a lot of information on Savingforcollege.com and Morningstar strategies or on how the bidder would assist HESAA in issuing an investment manager RFP. Performance numbers were poor for five-year performance for many asset classes. The bidder has a heavy reliance on Vanguard fund options and did not see a money market option. A lot of the fees were on basis points on assets managers, which leads to a high fee.</p>					
Scoring 9-10 = Excellent 7-8 = Very Good 5-6 = Good 3-4 = Fair 1-2 = Poor 0 = No Response					
CRITERIA					
	Score 1	Score 2	Score 3	WEIGHT	TOTAL
The relevant experience of the Contractor and staff assigned to the Authority	8	2	7	20	340
The quality of the response to the RFP, including but not limited to, the level of detail of the response	7	6	7	30	600
The ability to meet the needs of the Authority as detailed in the RFP	6	5	7	30	540
The fee proposed	6	3	3	20	240
Total	27	16	24	100	1720

Summary

Bidder	Score	Rank
Capital Cities, L.L.C.	1780	4
Cook Street Consulting	1790	3
Marquette Associates, Inc.	1900	2
Meketa Investment Group, Inc.	2340	1
Wilshire Advisors LLC	1720	5

RESOLUTION 08:23

APPOINTING A CONSULTANT FOR 529 PLANS

Moved by: Ms. Jean McDonald Rash

Seconded by: Ms. Beatrice Daggett

WHEREAS: The Higher Education Student Assistance Authority (HESAA) determined it is necessary to appoint a fiduciary consultant for the New Jersey Better Educational Savings Trust (NJBEST) Program; and

WHEREAS: The fiduciary consultant's responsibilities include evaluating, monitoring, and advising HESAA regarding NJBEST program fees, investment policies, and investment manager's performance. The consultant will also assist HESAA preparing an RFP for an investment manager and in responding to requests for information sent to all 529 College Savings Plans, such as the information annually requested by Morningstar and Savingforcollege.com; and

WHEREAS: On April 3, 2023 HESAA issued a Request for Proposals (RFP) seeking proposals from firms interested in serving as HESAA's NJBEST fiduciary consultant for a term of two years with three possible one-year extensions; and

WHEREAS: HESAA sent the RFP to ten investment consultants; distributed the RFP to two industry groups, the College Savings Foundation and the College Savings Planning Network; posted it on HESAA's website; and advertised it in the State's NJ Advance Media and Gannett newspapers; and

WHEREAS: HESAA received five proposals in response to the RFP; and

WHEREAS: An Evaluation Committee comprised of the Deputy Director and Deputy Chief Information Officer for the Division of Investments within the State Department of Treasury, as well as HESAA's Chief Financial Officer and Deputy Chief of Staff, reviewed and scored the proposals; and

WHEREAS: Meketa Investment Group, Inc. received the highest score as a result of such evaluation.

NOW, THEREFORE, LET IT BE:

RESOLVED: That the Board approves the appointment of Meketa Investment Group, Inc. as HESAA's 529 consultant for a term of two years with three optional one-year extensions, at a cost of \$135,000 for the first year, escalating to a cost of \$158,000 in the fifth year if HESAA were to exercise all optional extensions.

June 14, 2023