

THE BOARD OF TRUSTEES OF THE  
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING  
February 27, 2013

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Chairman Kate Marshall, State Treasurer, called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 10:07 a.m., on Wednesday, February 27, 2013. The meeting was held by conference call from the Nevada State Capitol, 101 North Carson Street, Guinn Room, Carson City, Nevada to the Grant Sawyer Building, 555 East Washington Avenue, Suite 4600, Las Vegas, Nevada. Other attendees participated in person or by conference call.

Present at the meeting were:

Board Members

Ned Martin  
Mike Torvinen  
Robert Seale  
Crystal Abba, Nevada System of Higher Education (excused)  
Chairman Kate Marshall

Others Present

Sheila Salehian, Senior Deputy Treasurer, Treasurer's Office  
Mark Mathers, Chief Deputy Treasurer, Treasurer's Office  
Steve George, Chief of Staff, Treasurer's Office  
Linda English, Deputy Treasurer, College Savings, Treasurer's Office  
Jeremy Thiessen, Pension Consulting Alliance  
Judy Minsk, Marketing Manager, Putnam Investments  
Scott Sipple, Putnam Investments  
Lisa Connor, Institutional Relationship Manager, Upromise Investments, Inc.  
Tricia Brady, Nevada Relationship Manager, Upromise Investments, Inc.  
Jeff Howkins, President, Upromise Investments  
Lisa Connor, Upromise Investments  
Sandy Madden, Upromise Investments  
Kate Beauparlant, Senior Relationship Manager, State Street Global Advisors  
Chris Goolgasian, State Street Global Advisors  
Eduardo Borges, State Street Global Advisors  
Stew Duffield, VGI Relationship Manager, Vanguard  
Tara Hagan, Deputy of Cash & Finance, Treasurer's Office

Shane Chesney, Deputy Attorney General, State of Nevada  
Blanca Platt, Program Officer, Treasurer's Office  
Troy Watts, Marketing Coordinator, Treasurer's Office  
Stephanie Harmer, Administrative Assistant, Treasurer's Office  
Brian Irvine, Gordon Silver  
Ken Alberts, Gabriel Roeder Smith & Company  
David Kausch, Chief Actuary, Gabriel Roeder Smith & Company  
Mike Draper, R & R Partners

Roll was taken and it was determined a quorum was present. Ms. Salehian indicated the meeting had been properly noticed and the agenda was posted in accordance with the Open Meeting Law.

1. Public Comment.

There was no public comment in Carson City or Las Vegas.

Consent Agenda

2. For possible action – Board review and approval of the minutes of the College Savings Board of Trustees meeting of November 29, 2012.
3. For possible action – Board review and approval of the Upromise program manager's report encompassing results for Vanguard, USAA, and SSgA Upromise 529 Plans for the quarter ended December 31, 2012.

Ms. Linda English explained to the Board that the reporting for the Putnam report and the Upromise report are in the format that was requested. Ms. English stated that some changes need to be made but for the most part report is in the correct format.

Ms. Caroline Tucker stated quarter over quarter USAA has been outperforming the industry in terms of AUM growth. Ms. Tucker stated Nevada accounts are up 22%. The plan account average is up 13%. Growth and Net contributions were consistently up 30% year over year.

Ms. Tucker stated there are 8,000 families who are eligible for the Matching Grant Plan in Nevada.

Mr. Stew Duffield stated Net Cash Flow for 2012 was a little over \$700,000,000, the second largest year ever. Vanguard is 4<sup>th</sup> in the market based on size and is closing in on 3<sup>rd</sup> in size. Net New accounts are up 5% for 2012 as compared to 2011.

Ms. Patricia Brady stated Upromise reached \$1 Billion in assets in 2012. There has been 6% increase in AUM since the April 2012 conversion. The Nevada account growth is up 7.80%. The New Account Growth Nationally remains down 25.19% from 2011.

Chairman Marshall asked if Upromise had the tracking capability in place now. Ms. Brady stated Upromise has tracking every month and that is shared with the Board. Chairman Marshall stated the monthly tracking report is hard to see how effective Ms. Lisa Connor is for the program. Mr. Jeff Howkins stated Upromise can look at some of the benchmarks from other field representatives and try to improve what the State is trying to accomplish.

Chairman Marshall stated there was a 59% increase in rollouts for Upromise over the third quarter, 20% increase over the fourth quarter and the State has lost \$3.8 Million. Mr. Howkins stated Upromise restructured the program in April.

Ms. Brady stated the Matching Grant Program has done very well. Ms. Brady presented the changes of the Silver State Matching Grant Program to the Board.

Mr. Ned Martin made a motion to approve the quarterly report program manager's report. Mr. Bob Seale seconded the motion. Motion passed unanimously.

4. For possible action – Board review and approval of changes to Silver State Matching Grant Program to adjust eligible AGI to household incomes of less than \$75,000 a year for Nevada residents.
5. For possible action – Board review and approval of a supplement to the SSgA Upromise Plan Description to document annual updates and changes to the Silver State Matching Grant Program.
6. For possible action – Board review and approval of the Putnam 529 for America advisor sold program manager's report for the quarter ended December 31, 2012.
7. For possible action – Board review and approval of the Thomas & Thomas unaudited financial statements of the Nevada College Savings Plans compiled for quarter ended December 31, 2012 for the 529 College Savings Plans.
8. For possible action – Board review and approval of the performance report from Chicago Equity Partners, investment manager for the fixed- income portfolio of

the Nevada Higher Education Trust Fund (Prepaid Tuition Program) for the quarter ended December 31, 2012.

9. For possible action – Board review and approval of the Prepaid Tuition Investment Monitoring Report prepared by Callan Associates for the quarter ended December 31, 2012.
  
10. For possible action – Board review and approval of the Nevada Prepaid Tuition Annual Audit for Fiscal Year 2012 prepared by Kafoury and Associates.
  
11. For possible action – Board review and approval of the Nevada Prepaid Tuition Annual Report for Fiscal Year 2012.
  
12. For possible action – Board review and approval of the six College Savings Board Meeting dates set for calendar year 2013.

Agenda Item 3 was taken out of the Consent Agenda and into Individual Consideration. Mr. Bob Seale made a motion to approve Agenda Items 2 through 12 with the exceptions for Agenda Item 3. Mr. Ned Martin seconded the motion. Motion passed unanimously.

#### Discussion Agenda

13. For possible action – Board review and approval of moving forward with the Nevada College Kick Start Program.

Mr. Steve George stated the program will start with children in Kindergarten. The funding source would be the program manager fees and private sector. The cost would be at approximately \$136,550.

Chairman Marshall stated the Governor's Office approved the request to exempt contributions into 529 accounts from the TANF restrictions regarding the holding of assets by low income families.

Mr. Bob Seale asked where the seed money comes from. Chairman Marshall stated the funds do not come from tax payer dollars. The funds come from program manager fees. Mr. Bob Seale asked if this program would be sustainable. Chairman Marshall stated certainly, it is sustainable. Chairman Marshall stated there will be quarterly reports to the Board to see how successful this program will be.

Mr. Ned Martin asked who receives the \$50 in seed money. Chairman Marshall stated the \$50 goes into an account for the child. The parents cannot withdraw the \$50 for their own purchases. Mr. Martin asked if there was a conversation of a further plan, for parents who decide to make a plan but are passive. Chairman Marshall stated in the pilot that if the child does not go to college the money will be reabsorbed by the College Savings Board endowment account.

The Board and Staff had a lengthy discussion about ideas on how to make the pilot more efficient.

Mr. Bob Seale made a motion to approve the College Kick Start Pilot Program. Mr. Mike Torvinen made a second. Motion passed unanimously.

14. For possible action – Board review and approval of the formatting and content changes to the CSB quarterly reporting by the program managers of the Nevada College Savings Plans (SSgA Upromise 529 Plan, USAA, Vanguard, & Putnam)

Ms. Linda English asked for input from the Board members on the formatting and content changes on the quarterly reports.

Mr. Bob Seale asked who the reports were made by in Agenda Item 3. Ms. English stated the program managers for Putnam and Upromise put together those reports. Mr. Seale stated he likes the format.

Chairman Marshall asked if there was any information missing and if there was any information the Board requested that they feel is not relevant to program performance. Mr. Martin stated he likes the information.

The Board went over some information that they felt was not needed in the printed reports. It was stated that some information can be available online.

Mr. Seale asked what was unique about the account holders. Ms. English stated when its states unique, it is referring to how many unique relationships there are on the account.

Mr. Ned Martin made a motion to approve the reports. Mr. Bob Seale seconded the motion. Motion passed unanimously.

15. For possible action – Board review and approval of the Nevada College Savings Plans Investment Monitoring Report prepared by Pension Consulting Alliance, Inc. for the quarter ended December 31, 2012.

Mr. Jeremy Thiessen stated the Vanguard Windsor Fund was in the 2<sup>nd</sup> percentile in their group and out pacing the bench mark by 4%. The Vanguard Star Fund the one year number was 16<sup>th</sup> in their peer group. Then Inflation Protected Fund still produced 6 to 8 returns. It ranked 23<sup>rd</sup> over the one year period and 14<sup>th</sup> over the three year period. The High Yield Bond Fund slipped a little bit but still just behind the bench mark and is operating just fine. None of the funds qualify for Watch and none are currently on watch.

Mr. Thiessen stated there was nothing to highlight from State Street Upromise. International Tips Fund moved from caution to positive. No funds qualify for watch and none are currently on watch.

Mr. Thiessen stated there were four funds on watch for USAA for the last period. The Aggressive Growth Fund remains on Watch and is still struggling verses their benchmarks. The Value Fund and the Income Stock Fund hit caution and are close to qualifying for watch.

Mr. Thiessen stated the Putnam Equity Income Fund improved into positive. International Capital Opportunities went from caution to acceptable. Putnam Income went from being on watch to positive. The High Yield Trust Fund went from being on watch to an acceptable range.

Mr. Thiessen stated for USAA the recommendation is to remove the Growth Fund and keep the other three on Watch. For Putnam, PCA would like to add the Absolute Return 700 and the Absolute Return 500.

Mr. Mike Torvinen made a motion to approve report. Mr. Ned Martin seconded the motion. Motion passed unanimously.

16. For possible action – Board review and approval of the annual investment presentation for the SSgA Upromise 529 Plan.

Mr. Chris Goolgasian stated the SSgA indicators are still low.

Mr. Eduardo Borges stated SSgA created 7 portfolios. SSgA moved from a Capital Appreciation approach to a Capital Preservation approach. The focus is to preserve the capital, stable yield. Mr. Goolgasian stated the SMP was up about 8% between April and December. The Aggressive Portfolio is 100% equities there was a return of over 7%. The Tactical Asset Allocation has worked. Mr. Goolgasian stated the way attribution works, the selection effect is the holdings underline the ETFs and those ETFs have expenses. There will generally be a negative effect from selection.

Mr. Bob Seale made a motion to approve the annual investment presentation for the SSgA Upromise 529 Plan. Mr. Mike Torvinen made a second. Motion passed unanimously.

17. For possible action – Board review and approval of the SSgA Upromise Marketing Plan for FY 2013.

Mr. Kevin Farrell stated for the quarter SSgA had over 3,000 activities that were generated by the RA sale staff. Mr. Farrell stated there was a total of 363 meetings where the 529 plan was discussed with the client or prospect. Mr. Farrell stated on the road show 11 firms were seen between Seattle and San Francisco. Two of the 11 firms have already opened accounts. Chairman Marshall asked if SSgA had road shows planned for FY 2013. Mr. Farrell stated yes, at least 5 more road shows.

Mr. Martin asked how my clients will SSgA touch. Mr. Farrell stated 12 to 15 firms.

Chairman Marshall had a lengthy discussion with Ms. Kate Beauparlant and Mr. Farrell about what the Board expects from SSgA. Chairman Marshall and Ms. Beauparlant had a lengthy discussion about what was expected to be approved at this Board meeting.

Mr. Mike Draper introduced the three different campaigns R&R Partners put together for Upromise. The first campaign is similar to the Upromise campaign in the past. The headline that resonated during the survey was the "Start Small Dream Big" headline. The second campaign was more playful and relatable to Nevadans. The third campaign is more a Nevada centric option.

Chairman Marshall stated the campaigns R&R created were not submitted in enough time for the Board to vote on the materials. The Board will have special Board meeting to get the campaigns started.

Chairman Marshall and Ms. Brady discussed the online marketing. The \$200,000 for marketing is for Nevada Marketing only. Chairman Marshall read from Section 10.5 of the latest amendment, "Any email marketing to Upromise shall be at no charge to the annual marketing of the Board".

The marketing goals and approximately \$5,000 that was used for National Marketing will not be approved at this Board meeting.

Mr. Ned Martin made a motion to approve the marketing plan as outlined. Mr. Mike Torvinen seconded the motion. Motion passed unanimously.

18. For possible action – Review the Hurricane Sandy emergency preparedness process followed by Upromise Investments; and direct staff and Upromise.

Mr. Jeff Howkins stated Upromise has a Disaster Recovery Plan and a Business Continuity Plan in place. Mr. Howkins discussed Upromise's various safety plans. Mr. Howkins stated in the instance of Hurricane Sandy Upromise decided to close down their call center because they knew the markets would be down. Upromise made the decision based on the input from the State of Massachusetts Governor's Office with regard to evacuation and regard to people not to go into work.

Chairman Marshall asked how many times Upromise closed due to weather. Mr. Howkins stated not very often.

Chairman Marshall asked how many 529 plans are serviced out of Kansas City and how many plans are serviced out of Massachusetts. Mr. Howkins stated he would need to look at the data but thinks it is somewhere around 70% out of Massachusetts and 30% out of Kansas City.

19. For possible action – Board review and approval of the Putnam Marketing plan for FY 2013.

Ms. Judy Minsk stated plan assets are \$292,000,000 with 16,000 customers. Putnam is ranked number thirteen out of thirty plans overall based on one year performance. Putnam's website was ranked number one. In 2013 Putnam launched a new campaign for the brand called New Ways of Thinking. The premise is all about anticipating change verses reacting to change. The 2013 plan is more about activity. Putnam would like to engage with the clients. Ms. Minsk went over the all marketing plan for 2013.

Mr. Bob Seale how many of the accounts are Nevada accounts. Ms. Minsk stated there are 300 Nevada accounts.

Mr. Mike Torvinen made a motion to approve the Putnam Marketing Plan for FY 2013. Mr. Ned Martin made a second. Motion passed unanimously.

20. For possible action – Board review and approval of the Nevada Prepaid Tuition Actuarial Contract with Gabriel, Roeder, and Smith to complete actuarial reports for Fiscal Years FY 2013 through FY 2016.

Ms. Sheila Salehian stated there were three bids for the Nevada Prepaid Tuition Actuarial Contract. Gabriel, Roeder, and Smith were chosen to complete the actuarial reports for the Board.

Mr. Bob Seale asked if this was a change from before and if the decision was heavily weighed towards cost. Ms. Salehian stated yes, it was a different company and stated

cost was definitely a factor. Mr. Seale asked if this company has experience in Prepaid Tuition. Ms. Salehian stated yes, with Maryland, Michigan, Illinois, and Mississippi.

Mr. Bob Seale made a motion to approve Gabriel, Roeder, and Smith for the Nevada Prepaid Tuition Actuarial Contract. Mr. Mike Torvinen seconded the motion. Motion passed unanimously.

Comments

21. Staff Notes.

There were no comments from the Board members or Staff.

22. Public Comment.

There was no public comment in Las Vegas or Carson City.

As there was no further business, Chairman Marshall adjourned the Board meeting at 1:45 p.m.

Attest:



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Sheila Salehian, Secretary to the Board