

THE BOARD OF TRUSTEES OF THE  
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING  
November 21, 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 10:00 a.m., on Thursday, November 21, 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 5100, Las Vegas, Nevada. Other attendees participated in person or by conference call.

Present at the meeting were:

Board Members

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

Others Present

Tricia Brady, Upromise Investments  
Lisa Connor, Upromise Investments  
John Heywood, Vanguard  
Stewart Duffield, Vanguard  
Eric White, PCA  
Kate Beauparlant, SSgA  
Steve Coyle, SSgA  
Eduardo Borges, SSgA  
Michael Gentile, Ernst & Young  
Mark Michel, Ernst & Young  
Sheila Salehian, Senior Deputy Treasurer - South  
Mark Mathers, Chief Deputy Treasurer, Treasurer's Office  
Steve George, Chief of Staff, Treasurer's Office  
Linda English, GGMS, College Savings Deputy, Treasurer's Office  
Troy Watts, Marketing Coordinator, Treasurer's Office  
Blanca Platt, Program Officer, Treasurer's Office  
Tara Hagan, Senior Deputy Treasurer - North  
Jenna Weisenthal, Treasurer's Office

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 October 17, 2013.
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 September 30, 2013.
4. For possible action: Board review and approval of the Putnam 529 for America advisor sold program manager’s report for the quarter ended September 30, 2013.
5. For possible action: Board review and approval of the Thomas & Thomas unaudited financial statements of the Nevada College Savings Plans compiled for the quarter ended September 30, 2013.
6. 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 September 30, 2013.
7. For possible action: Board review and approval of the Prepaid Tuition Investment Monitoring Report prepared by Callan Associates for the quarter ended September 30, 2013.
8. For possible action: Board review and approval of the proposed dates for the 2014 College Savings Board meetings
9. For possible action: Board review and approval of the supplement to the USAA 529 College Savings Plan, Plan Description, and Participation agreement.
10. For possible action: Board review and approval of the FY 2014 SSgA Upromise 529 Marketing Plan.

11. For possible action: Board review and approval of the SSgA Upromise 529 Marketing expenditure report for the quarter ended September 30, 2013; approve the expenditures for inclusion in the non-cash marketing commitment budget.
12. For possible action: Board review and approval of the request by Upromise to engage Venture Solutions, Inc. as a third party contractor to perform mail and output services.
13. For possible action: Board review and approval of Amendment 5 to the Vanguard 529 College Savings Plan Private Label Agreement with Upromise which summarizes the reduction in fees approved by the College Savings Board at the October 17, 2013 meeting
14. For possible action: Board review and approval of Amendment 6 to the Vanguard 529 College Savings Plan Private Label Agreement with Upromise which removes Upromise, Inc. as a party to the agreement and replaces it with Upromise Investments in anticipation of the upcoming sale of Upromise Investments to Ascensus.
15. For possible action: Board review and approval of a Vanguard 529 College Savings Plan Marketing creative concept.

Mr. Ned Martin made a motion to approve Agenda Items 2-15. Mr. Bob Seale seconded the motion. Motion passed unanimously.

#### Discussion Agenda

16. 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 September 30, 2013

Eric White stated USAA Value Fund should be taken off the Watch List. For the Putnam program, there are four funds that remain on watch. The Putnam Absolute Return Funds—the 300, 500, and 700 funds are currently being watched by staff and will be reported at a later meeting. For the SSgA UPromise plan, three funds are recommended to go on watch. The Spider SMP World XUS ETF, International Small Cap ETF, and the International Tips ETF are recommended to be put on the Watch List. Post quarter end USAA announced that the company had terminated GMO from the US Income Stock Fund and will be placing half the assets into internally managed portions.

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

17. For possible action: Board review and approval of the Ernst & Young report of Upromise Investments, Inc., in its role as Program Manager of the direct sold college savings plans

Ernst & Young stated that this was not a financial statement audit. The four areas the audit focused on were revenues, marketing, operational, and compliance. They found some errors in the marketing area. Ernst & Young found an invoice that didn't have specific detail to link the invoice to the State of Nevada. There were a couple of campaigns spread across a few states that were unclear as to how the allocations were related to Nevada. For example, Ernst & Young noticed a charge that was about 50 hours of labor that did not have files to support where that charge came from. The invoice quarters did not match the current quarters being recorded on the invoices.

Mr. Bob Seale asked if there is a report that Ernst & Young has provided to the Treasurer's Office that is not included in the material given to the Board members. Ms. Linda English stated no. Mr. Bob Seale was directed to the summary report contained in the Board book.

Ernst & Young stated there is no organization that has a zero error rate. Ernst & Young complimented Upromise for their professionalism and cooperation in all aspects of the review. Ernst & Young stated they are looking for a rash of errors when they do an audit. Treasurer Marshall stated since the time of the review, Upromise has started to use R&R Partners as their marketing vendor and Upromise now provides detailed invoices.

The Board and Upromise staff thanked Ernst & Young for the audit report.

Patricia Brady asked for approval from the Board to receive the detail behind some of the findings from Ernst & Young. Mr. Ned Martin stated he would defer to staff about the procedures for the process.

Mr. Bob Seale made a motion to approve the audit report for Upromise. Mr. Ned Martin seconded the motion. Motion passed unanimously.

18. For possible action: Board review and approval of the annual investment review for the SSgA Upromise 529 College Savings Plan.

Mr. Eduardo Borges stated there are over 10 assets classes represented in the portfolio. In the slides given to the Board members SSgA shows the various amounts of the portfolio. SSgA stated it is more important to have down side protection at this point in

time. There are more options to take risk with the flexibility of the proposed Glide Path Plan.

Mr. Bob Seale asked if on the short term credit, if SSgA is buying funds or buying specific instruments. Mr. Borges stated they are buying exchange traded funds, one to three year bonds.

Mr. Borges gave examples from previous plans to give the Board an idea of how the Glide Path Plan would operate. Mr. Borges referred to the slideshow given to the Board members. Mr. Borges reviewed the performance of the Glide Path over a 12 month period. SSgA tried to locate where the returns come from. In the past two years SSgA has created two models. One model is the Style Model which focuses on value and growth. The second model will be broken down by the different sectors.

Mr. Eric White stated this was a difficult recommendation to agree to for PCA based on the short length of time. A typical term to market cycle would be three to five years. Mr. Eric White stated there should be positive and negative data to reflect upon.

Treasurer Marshall asked how PCA was able to make a recommendation for Vanguard with the same timeframe. Mr. Eric White stated PCA would have preferred a three year period as well. PCA felt with Vanguard there was enough diversified data to make a recommendation. Treasurer Marshall asked Mr. Eric White when PCA would feel comfortable enough to make a recommendation. Mr. Eric White stated three years would be a sufficient amount of time.

Mr. Mark Mathers stated the Treasurer's Office respects both investment managers. The Treasurer's Office suggests coming back to SSgA with an updated investment policy which outlines expected timelines for benchmark data for Investment Managers. Then SSgA can make change recommendations and seek approval from the Board at a later date for future portfolio changes which adhere to the Treasurer's office investment policies.

Given the above discussion, the Board decided to not make a motion on this agenda item.

19. For possible action: Board review and approval of the statewide expansion of the Nevada College Kick Start pilot program.

There are now seven families who have opened their own 529 account. The primary goal of this plan was to extend a hand to families and encourage them to open their own accounts. This program is a very broad long term idea. The Treasurer's Office has come to the Board to propose expanding the College Kick Start program Statewide.

Mr. Ned Martin stated he believes this is an outstanding program. Mr. Ned Martin stated the Treasurer's Office should do a report in three years to see how many families have opened their own 529 account.

Mr. Bob Seale stated this is a great program but the Board needs to be careful about an emphasis on one group attending college. There may need to be more thought on variety of institutions and methods for people to pursue higher education or certification.

Ms. Crystal Abba stated this is a wonderful program. Ms. Crystal Abba stated the Treasurer's Office should look at economical restrictions.

Mr. Ned Martin made a motion to approve the funding of the College Kick Start program Statewide with a follow up report after three fiscal years. Mr. Bob Seale seconded the motion. Motion passed unanimously.

#### Comments

20. Staff Notes.

21. Public Comment.

There was no public comment in Carson City, Las Vegas, or on the conference line.

As there was no further business, Chair Marshall adjourned the Board meeting at 11:31 a.m.

Attest:



Sheila Salehian, Secretary to the Board