

THE BOARD OF TRUSTEES OF THE  
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING  
January 30, 2014

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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 Thursday, January 30, 2014. 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 (Excused)  
Mike Torvinen  
Robert Seale  
Crystal Abba, Nevada System of Higher Education (Excused)  
Chairman Kate Marshall

Others Present

Sheila Salehian, Senior Deputy Treasurer – South  
Steve George, Chief of Staff, Treasurer’s Office  
Mark Mathers, Chief Deputy Treasurer, Treasurer’s Office  
Linda English, GGMS, College Savings Deputy, Treasurer’s Office  
Blanca Platt, Program Officer, Treasurer’s Office  
Tara Hagan, Senior Deputy Treasurer – North  
Shane Chesney, Deputy Attorney General  
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 November 21, 2013.
3. For possible action: Board review and approval of the Fiscal Year 2013 annual audit of the Nevada Prepaid Tuition Program by Kafoury and Associates.
4. For possible action: Board review and approval of the Fiscal Year 2013 annual report for the Nevada Prepaid Tuition Program.

Treasurer Marshall asked to please note that agenda item #4, the annual report, shows that the funded status of the Nevada Prepaid Tuition Program is approximately 112%. Mr. Mike Torvinen made a motion to approve Agenda Items 2-4. Mr. Bob Seale seconded the motion. Motion passed unanimously.

### Discussion Agenda

5. For possible action: Board review and approval of the updated Investment Policy Statement for the Nevada College Savings Program.

Ms. Tara Hagan stated the update made to the Investment Policy Statement was recommended by PCA during the November College Savings meeting. Staff and PCA recommend a minimum performance track record of at least three years. Staff has added a Section, #8 to the Investment Policy Statement. Section #8 is the proxy vote and guidelines.

Mr. Bob Seale made a motion to approve the updated Investment policy Statement for the Nevada College Savings Program. Mr. Mike Torvinen seconded the motion. Motion passed unanimously.

6. For possible action: Board review of a presentation on investment alternatives for the Nevada Prepaid Tuition Trust.

Treasurer Marshall stated that what we are talking about here is a request for staff to present an analysis to the board at a later date. It is not suggested at this time that staff should look at changing the investments in Prepaid. Agenda Item 6 is for approval from the Board to further analyze investment alternatives.

Mr. Mark Mathers stated the Prepaid Tuition Fund is in good shape. At some point the market will not be showing the same returns that the market is showing now. In Fiscal Year 2010 there was a 14% stock return rate, Fiscal Year 2011 there was a 31%, Fiscal Year 2012 there was a 5.4% increase, Fiscal Year 2013 there was a return rate of

20.7%, and so far for the Fiscal Year 2014 there is a 16% return rate. Staff is nervous that there may be some pull back from the market as the market adjusts.

Mr. Mathers explained Covered Calls. An example being that the Nevada Prepaid Tuition Trust Fund would own stocks and then write a call option on the stocks, thereby receiving a premium from an investor who would buy that option. There would be significant downside protection in this strategy. Mr. Mathers gave three different examples using Apple Stock in the market. The first example showed a generated return of 3.6%. The second example showed a 2% under performance rate. The third example showed a 3.6% out performance rate.

Treasurer Marshall asked if the scenario 3B showed losses. Mr. Mark Mathers answered no. The scenario still has an increase in value. There would not be a loss.

Mr. Mark Mathers gave a presentation over the differences between Covered Calls and other investment options. Through the research done by staff, the Covered Calls Investment alternative showed less loss over the long term analysis research. The Covered Calls alternative is preserving assets in a time where markets may pull back.

Treasurer Marshall stated if the Board decided to allow staff to further analyze alternative investment options she would like Mr. Mathers to address the issue about mark to market concept.

Mr. Bob Seale asked about the Covered Calls alternative by law. It was stated it was allowed by law. Treasurer Marshall stated the Board can write in some extra protections to make sure this is a narrow opportunity. Mr. Mike Torvinen stated the investment policy should be longer term, and not constantly changing. Treasurer Marshall agreed.

Mr. Bob Seale made a motion to approve the presentation on investment alternatives for the Nevada Prepaid Tuition Trust Fund. Mr. Mike Torvinen seconded the motion. Motion passed unanimously.

7. For possible action: Board review and approval of the Nevada College Savings Program Declaration of Trust document.

Mr. Shane Chesney stated the Nevada College Savings Program Declaration of Trust document was modeled after the Alaska College Savings Trust document taking into account Nevada law. The Trust document is more of an operations manual. Changes can be made to the Trust document if the Board feels that something needs to be changed. Mr. Shane Chesney noted that Treasurer Marshall was designated in the document.

Treasurer Marshall asked if there would need to be a new Agenda Item to pick the administrative designee. Mr. Shane Chesney stated yes, because the Agenda Item was

not intended for this type of action. Treasurer Marshall asked for Mr. Shane Chesney to prepare the agenda item for the trust and submit to the Board meeting in February. Mr. Shane Chesney answered that he would do that. Treasurer Marshall asked if anything else needed to be done, to complete the Trust documentation. Mr. Shane Chesney said nothing after the vote in February.

Mr. Mike Torvinen made a motion to approve the Nevada College Savings Program Declaration of Trust document. Mr. Bob Seale seconded the motion. Mr. Bob Seale asked if the trust agreement had any conflict with any other arrangements with our vendors. Mr. Shane Chesney stated the document should comply with our vendors. If changes need to be made, they can be made at any time by the Board. Mr. Bob Seale asked if staff has had any discussions with vendors about what the Board is doing with the trust document. Ms. Linda English stated the document is general. The document doesn't get into programs in detail. Motion passed unanimously.

8. For possible action: Board review of staff's recommendations for the proxy vote associated with certain Putnam mutual funds.

Ms. Tara Hagan stated Putnam materials contained 5 proxy proposals that affect the plans. Putnam is asking shareholders to approve new management contracts between Putnam and the Board of Trustees. Due to a death, Putnam is asking the Board to approve the new management contracts. Staff recommended approval to the new management contracts due to no changes except board member replacement due to death. There was a change of time period due to control.

Mr. Mike Torvinen made a motion to approve the Staff recommendations for Putnam's new management contracts. Mr. Bob Seale seconded the motion. Motion passed unanimously.

There is an election of the Board of Trustees for Putnam. There are 14 fixed trustees and 13 independent on the Board of Putnam. One interested person is the CEO, Mr. Bob Reynolds. Staff recommends voting in favor of this proposal.

Mr. Bob Seale made a motion to approve the Staff recommendations for the election of the Board of Trustees for Putnam. Mr. Mike Torvinen seconded the motion. Motion passed unanimously.

On item 3, Putnam indicated the changes were to help with efficiency and cost effectiveness of the funds. Staff has had some concerns with several of the amendments put forward. Putnam is reducing share holder involvement and reducing transparency in the trustee decision making process. Shareholders have concerns about a Trustee Breach. Staff feels this proposal isn't in the best interest of the program beneficiaries.

Mr. Bob Seale asked how the vote would impact the proposals. Ms. Tara Hagan stated Putnam would not be allowed to make decisions without coming back to the Board if the majority of the shareholders voted no on this proposal.

Treasurer Marshall stated the Board's goal is to protect customer accounts.

Mr. Bob Seale made a motion to approve the Staff recommendations for a "no" vote on the amendment and restatement of the Trust for the Putnam Program. Mr. Mike Torvinen seconded the motion. Motion passed unanimously.

### Comments

#### 9. Staff Notes.

Mr. Steve George stated the Statewide College Kick Start is set for February 3<sup>rd</sup>. The CFED 1:1 fund is looking for sponsors in Nevada to build up the individual college savings accounts for Title I schools. Mr. Mark Mathers, Ms. Linda English, and Mr. Steve George met on site with Upromise, and Ascensus, and had a very positive meeting.

#### 10. Public Comment.

Mr. Bob Seale stated he would be in attendance for the meeting with Washoe County School district. Ms. Simpson sends her very best to Steve George.

Treasurer Marshall asked Ms. Blanca Platt how many new Prepaid Tuition contracts we have. Ms. Blanca Platt stated we have roughly 500.

As there was no further business, Chair Marshall adjourned the Board meeting at 11:06 a.m.

Attest:



Sheila Salehian, Secretary to the Board