

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING
December 17, 2014

Chairman Kate Marshall, State Treasurer, called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 1:00 p.m., on Thursday, December 17, 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.

Board members present:

Chairman Kate Marshall – Carson City
Jamie Hullman – Carson City
Ned Martin – Las Vegas
Janet Murphy – Carson City
Bob Seale - Excused

Others present:

Dan Schwartz – Treasurer Elect
Mark Mathers – Chief Deputy Treasurer
Tara Hagan, Senior Deputy Treasurer - North
Sheila Salehian, Senior Deputy Treasurer – South
Linda J. English, GGMS, College Savings Deputy Treasurer
Troy Watts, Marketing Coordinator, Treasurer’s Office
Blanca Platt, Program Officer, Treasurer’s Office
Shane Chesney, Nevada Attorney General’s Office
Kate Beauparlant, SSgA
Eduardo Borges, SSgA
Dave Malone, SSgA
Joanna Damp, SSgA
Tricia Brady, Ascensus College Savings
Derek Delorenzo, Ascensus College Savings
Judy Minsk, Putnam Investments
Paul Fulmer, USAA
Caroline Tucker, USAA

Stewart Duffield, Vanguard
Tom Hewitt, Vanguard
Eric White, PCA
Grant Hewitt

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 were no public comments in Carson City or Las Vegas.

Consent Agenda

2. For possible action: Board review and approval of the College Savings Board minutes of October 23, 2014.
3. For possible action: Board review and approval of the Ascensus program manager's report encompassing results for Vanguard, USAA and SSgA Upromise 529 plans for the quarter ended September 30, 2014.
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, 2014.
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, 2014.
6. For possible action: Board review and approval of the Ascensus Marketing Invoice for the SSgA Upromise 529 Plan for the quarter ended September 30, 2014, and approve the expenditures for inclusion in the non-cash marketing commitment budget as specified in Amendment #3 to the Upromise Agreement.
7. For possible action: Board review and approval of USAA's request for an extension of the February 28, 2015 implementation deadline for changes to the USAA College Savings Plan approved on September 9, 2014 and the resulting supplement to the USAA 529 College Savings Plan, Plan Description and Participation Agreement.
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 High Education Trust Fund (Prepaid Tuition Program), for the quarter ended September 30, 2014.

9. For possible action: Board review and approval of the Prepaid Tuition Investment Monitoring Report prepared by Callan Associates for the quarter ended September 30, 2014.

Chairman Marshall asked if the Board members wished to take out any items to discuss separately. Hearing none, Chairman Marshall asked if there was a motion to approve the consent items. Ned Martin motioned to approve the consent items. Janet Murphy seconded the motion. The motion passed unanimously.

Discussion Agenda

10. For possible action: Board authorization for staff to proceed with Ascensus to develop a contract amendment addressing certain situations involving college savings plans' managers.

Mr. Mark Mathers explained that the Nevada State Treasurer's office staff last month discovered news articles that discussed an investigation by the US Department of Justice and the Securities and Exchange Commission (SEC) regarding allegations concerning State Street and possible activity in the State of Ohio. Staff informed Ascensus of the news articles, but Ascensus was not aware of their content at the time. Staff reviewed the Direct Program Management Agreement with Ascensus and the tri-party SSgA Upromise 529 Operational Agreement with State Street and Ascensus; staff noticed there is no provision which clearly allows the Board to take action should the investment managers violate securities law or engage in criminal behavior that could impact the State's 529 plans. Mr. Mathers did indicate that there is such language in the state's agreement with Putnam.

Chairman Marshall clarified that this action would not only protect the State, but it would also protect the program and its customers. Janet Murphy asked if staff was trying to amend the contract to which Mark Mathers responded in the affirmative that they were trying to negotiate with Ascensus to amend the tri-party contract so the State has the ability to take action should they ever need to.

Janet Murphy motioned to approve Agenda Item 10. Ned Martin seconded the motion.

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

Kate Beauparlant, Senior Relationship Manager for State Street, announced that the annual investment results for the SSgA Upromise 529 plan would be presented as of June 30, 2014. She indicated that overall State Street Global Advisors has \$2.4 Trillion

in Assets under Management as of June 30, 2014. Also, there are \$411 Billion in Assets under Management in the Exchange Traded Funds Business as of June 30, 2014.

Eduardo Borges, Senior Portfolio Manager for State Street, explained that he will cover four segments, (1) the market outlook, (2) a quick review of the allocations for the portfolios, (3) the global performance as of June 30, 2014, and (4) a picture of the long-term capital plan. As far as GDP growth, over the last three years the growth overall has been below the average of 3.6%. Growth has been slow because of recent aggressive monetary policy of the central banks in the US, as well as Europe and in South America. Even though growth has been slow, corporate profits have been strong. Last year alone, profits grew by 7%. This year, it is estimated they will grow by 9%. There has really been a dislocation between profits and GDP growth. Even though equities have performed substantially better than bonds, it nevertheless brings uncertainties going into 2015. Valuations have been stable, however, in the US and emerging markets. Mr. Borges then moved into discussing College Date Portfolios. For one option, if a child has 18 years to college, it should be more focused on capital appreciation in the earlier years, and as the investment horizon shortens, the focus should be more on stability. SSgA has 10 asset classes in the portfolio to choose from, which are globally diversified. Mr. Borges then discussed the option of simply choosing aggressive and moderately based portfolios. Another option is to select ETFs themselves. Mr. Borges said that they also focus on tactical asset allocation. They have 70 portfolio managers worldwide to complement the models. They evaluate the models on a monthly basis.

As of June 30, 2014, total returns were in the double digits, with allocations in equities and REITs as well. Also as of June 30, 2014, the college date portfolio had a total return of 1.06% positive. The college date portfolio is a conservative approach. The allocation is 60% cash and 40% short term bonds, hence very low risk. On the other hand, with the most aggressive portfolio, the allocation is 22.63% bonds. Eduardo Borges then explained the differences between the Allocation Effect and the Selection Effect, and how they add value to the portfolio. Chairman Marshall asked about the Benchmark for the 2015 portfolio, if it is the correct Benchmark. Mr. Borges responded that it was the correct Benchmark; it's just more limited in its investing. Eric White from PCA clarified that all index funds will underperform by some degree due to the management fee, usually by less than 10 basis points, and SSgA's reports reflect that. Mr. Borges also informed the board that new laws with regards to institutional and retail clients that were created in 2011 and 2012 are now being implemented.

Eric White explained that PCA tends to be more conservative when it comes to a Global Growth Projection. In terms of the tactical asset allocation, PCA looks at it from the perspective of giving the manager the latitude of taking compensated risk and avoiding uncompensated risk, and realizing that you are paying them for the ability to do that. In terms of practice, tactical asset allocation has struggled over time. It's conceptually a good idea; however, managers have struggled to implement it well. In terms of the long-term plan, the IPS Guidelines state that all new products need to have three years'

worth of data in order to analyze their efficacy; SSgA has not reached the three years yet, so PCA has a limited life track record with which to review. PCA's suggestion is to wait for those three years before they review SSgA's performance. Mr. Borges agreed, but also stated that they have been using tactical asset allocation since 1989, and have been outperforming the Benchmark for the last 11 years.

Ned Martin motioned to approve the annual investment presentation. Jamie Hullman seconded the motion.

12. 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, 2014.

Eric White of PCA gave a presentation of the funds that are on "Watch" status. From the previous quarter, there were 6 funds on "Watch" status: 3 from USAA, 2 from SSgA Uppromise, 1 for Putnam, and nothing for Vanguard. Based on recent performance, PCA is recommending the removal of 3 of the funds from "Watch" status, which includes the USAA Growth and Income Fund, the USAA Emerging Markets Fund, and The SDPR S&P World ex-US ETF. The USAA Income Fund, the SPDR S&P International Small Cap ETF, and the Putnam International Capital Opportunities Fund will remain on "Watch" status.

Janet Murphy motioned to approve Agenda Item 12. Jamie Hullman seconded the motion.

13. Staff Notes: The Nevada Prepaid Tuition Program hosted a Prepaid Tuition Conference on November 14th, 2014 at the Innevation Center in Las Vegas. Nine prepaid program states attended the first annual conference.

Sheila Salehian briefed the Board about the Nevada Prepaid Tuition Mini Conference that was hosted by the Treasurer's Office. Ms. Salehian explained that it was held at the inNEVation Center in Las Vegas on November 14, 2014. 9 states participated in the conference, with 2 states who presented. Strategic Insight and Intuition College Savings partnered on the conference and presented as well. Also, The Goodway Group did a digital marketing presentation. The conference will happen annually going forward. Virginia College Savings will host the conference in 2015. Trends and best practices were discussed, including the Mississippi Plan that went through reopening a prepaid plan. There was an interesting discussion from the Florida prepaid plan in which they recently went through a legislative session that required them to give back \$200 Million in refunds to 15,000 families in the plan last year. Other items discussed were the challenges and opportunities of marketing prepaid plans with other college savings plans, as well as digital media best practices. Other marketing and social media ideas were discussed with regards to effectively promoting prepaid tuition plans.

Strategic Insight gave a presentation on the statistics of prepaid plans overall. Right now, there are \$22.5 Billion in Assets under Management across all prepaid plans nationwide. This represents 1 Million account holders.

Chairman Marshall acknowledged Tricia Brady, Stuart Duffield, Troy Watts and Alexandra Smith for their hard work and professionalism. Chairman Marshall also mentioned that the Nevada Prepaid Tuition program is currently 126% funded, the fact that the College Savings Plans are highly ranked, and recently the Washington Post ranked Nevada as #1 in the nation for college savings, and that the College Kick Start Program plays a big role in that ranking. 4 states have now sought to emulate the Nevada College Kick Start Program.

14. Public Comment

There were no public comments in Carson City.

Tricia Brady in Las Vegas thanked Chairman Marshall and sent best wishes to both her and Mark Mathers.

Treasurer-Elect Schwartz thanked Chairman Marshall for her stewardship during the last eight years.

There was no further business; thus, Chairman Marshall adjourned the meeting at 2:00 p.m.

Attest:



Sheila Salehian, Secretary to the Board