

THE BOARD OF TRUSTEES OF THE  
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING  
March 11, 2015

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Chairman Dan Schwartz, 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 Wednesday, March 11, 2015. The meeting was held by videoconference 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 Dan Schwartz – Carson City  
Bob Seale – Carson City  
Jamie Hullman – Carson City  
Ned Martin – Las Vegas  
Janet Murphy – Excused

Others present:

Grant Hewitt, Chief of Staff, Treasurer's Office  
Tara Hagan, Senior Deputy Treasurer - North  
Sheila Salehian, Senior Deputy Treasurer – South  
Linda J. English, GGMS, College Savings Deputy Treasurer  
Shane Chesney, Nevada Attorney General's Office  
Eric White – Pension Consulting Alliance  
Kay Ceserani – Pension Consulting Alliance  
Ken Alberts – Gabriel, Roeder, and Smith

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 in both Carson City and Las Vegas.

1. Public Comment

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

## Consent Agenda

2. For possible action: Board review and approval of the College Savings Board minutes of January 29, 2015.
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 December 31, 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 December 31, 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 December 31, 2014.
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 December 31, 2014.
7. For possible action: Board review and approval of the SSgA marketing expenditures for the SSgA Upromise 529 Plan for the quarter ending December 31, 2014, and approve the expenditures for inclusion in the non-cash marketing commitment budget as specified in Amendment #3 to the Upromise Agreement.
8. For possible action: Board review and approval of the Prepaid Tuition Investment Monitoring Report prepared by Pension Consulting Alliance, Inc. for the quarter ended December 31, 2014.

Jamie Hullman motioned to approve the Consent Agenda. Bob Seale seconded the motion. The motion passed unanimously.

## Discussion Agenda

9. For possible action: Board review and approval of the recommendation to forgive the 2010 Nevada Prepaid Tuition Trust Fund Loan of \$5 million dollars.

Sheila Salehian explained that Milliman Associates had recommended a funding ratio of 120% as an appropriate target funding level. In Fiscal Year 2013, the Nevada Prepaid Tuition Trust Fund was at 111%; by the end of Fiscal Year 2014, it was at 126%. Ms. Salehian asked the board to consider possible loan forgiveness for the \$5 million loan from the College Savings Endowment Account. Sheila Salehian explained that as of FY 15, the funded status is expected to drop to 118%; therefore, staff would like to

engage Gabriel, Roeder and Smith, which is the current actuarial firm, to create a formal Prepaid Tuition Funded Status Policy which is to be presented in the fall of 2015 to ensure long term viability of the program.

Ned Martin asked for clarification on what creates the volatility of the historical rate of return. Ken Alberts from Gabriel, Roeder and Smith explained that the volatility going forth is based on the volatility the Trust Fund experienced in the past 17 years. Jamie Hullman expressed that it would be a good idea to also revisit the \$1.8 million that is transferred every year from the Endowment Account. Treasurer Schwartz asked for the statistics for the Open Enrollment. Ms. Salehian explained that open enrollment is down 20% (262 contracts) for the 2015 Open Enrollment Period thus far. Infant enrollment is open until June 30, 2015.

Treasurer Dan Schwartz expressed concern that the rate of return built into the extended and five year payment plans of 6.25% might make the public wary. The lump sum price of these contracts is around \$23,000, but by making an extended contract, the price increases to \$35,000. Bob Seale mentioned that a benefit to investing in Prepaid Tuition rather than in the stock market is that no matter what happens in the market, the people who have a Prepaid Tuition contract are guaranteed the credits. The main purpose is to continue to make this affordable to families. Ned Martin mentioned that staff should focus on educating the people who inquire about the Prepaid Tuition program and make sure they know that they are not investing in the market; thus, they don't have to worry about the volatility of the market. By investing in the program, they do not have to worry about the increase in the cost of higher education. Mr. Alberts commented that the 6.25% rate is not so high when you compare it to the interest in a unsecured loan, which is currently around 9%; he mentioned that this program is basically a loan. Mr. Schwartz expressed that he doesn't believe that the Prepaid Tuition is a loan since people are utilizing their own money. Those people are buying the credits not borrowing money for them. He also mentioned that education is important to him, but it may be time to take a hard and long look at this program and the way it is being marketed. He suggested putting together a review of the program and what is being charged to purchasers. A revisit the pricing strategy of the contracts is needed.

Jamie Hullman motioned to forgive the \$5 million loan. Along with this, Mr. Hullman also motioned to continue with the \$1.8 million transfer from the endowment account, to the Nevada Prepaid Tuition Trust Fund, with a qualifier to become better educated on the program and to come back next year with any recommended changes to the annual \$1.8 million transfer. Bob Seale seconded the motion. Mr. Schwartz also formally requested of staff to look at the interest rate that is being charged for the prepaid tuition program, the message that the program is portraying, and to look at the program in conjunction with all variables and to set up some time to do a board review of the program. Staff will move forward with an education session, and formal funding status project request to GRS. Once a funding policy is outlined, it will be brought back to the board for approval before the end of the year.

10. 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, 2014.

Eric White and Kay Ceserani from Pension Consulting Alliance presented the report for the quarter ended December 31, 2014. Mr. White explained that USAA currently has one fund on Watch Status. SSgA and Putnam also have one fund each that qualifies for Watch Status. Vanguard currently has no funds on Watch Status. He explained that at some point all funds have some periods of underperformance. Keeping this in mind, they have built a reasonable threshold for the funds. The funds that go beyond the threshold are then put on Watch Status. PCA believes that the USAA Income Stock fund, which has been on the Watch Status for 21 months, has performed reasonably well when the fund's investment style is taken into account relative to the extended strength of the US equity method. Therefore, PCA forecasts that they will propose to take it off the Watch Status by next quarter.

SSgA's SPDR S&P International Small Cap ETF continues to qualify for Watch status due to the fund's tracking error. Mr. White mentioned that there are not many Small Cap ETFs that track international equities; thus, PCA only has a few funds to compare this fund to. PCA believes they were too strict with the band, and they recommended widening the band. Mr. Schwartz asked why the bands had been narrowed in the first place to which Eric White responded that the narrowing of the bands was to try to stay consistent with the Large Cap Funds.

Mr. White stated that the performance of the Putnam International Capital Opportunities has been disappointing, but PCA had no major concerns about this fund at this time. Jamie Hullman noticed that this fund has underperformed by 9.8%; therefore, he wanted to know how long it takes to take an underperforming fund off of the Watch Status. Eric White explained that when a fund goes on the Watch list, PCA does extra due diligence to understand the fund and why it is underperforming. If the underperformance is understandable, then they are more tolerant towards the underperformance. Mr. Schwartz commented that if a fund is not performing well, it is best to not make excuses for them and simply take them off the available list.

Bob Seale motioned to approve Agenda Item 10. Ned Martin seconded the motion. Motion passed unanimously.

11. Provide and update to the Board regarding the Treasurer's Request for Proposal for Investment Management.

Tara Hagan updated the board on the Institutional Investment Manager Request for Proposal which went to the market in January and closed on February 18, 2015. The primary focus of the RFP was fixed income which included interest in the Prepaid Trust Fund. Staff received 20 bids in total. The committee is reviewing the 6 to 8 finalists. Staff was looking for an active investment manager; however, they only received passive investment managers.

12. Staff Notes: Updates on the 2015 Prepaid Tuition enrollment numbers and high level discussion of the "Let's Go To College" efforts to put all College Savings Programs under one umbrella.

Grant Hewitt, Chief of Staff for the State Treasurer's Office, explained that staff is looking at putting all of the College Savings Programs under one umbrella. Staff is also in the process of creating an RFP to seek outside marketing expertise. The goal is to create a culture of education and a culture of saving for college. Ascensus is in the field doing a study on how many people are aware of the College Savings Programs and thus have a benchmark. Staff believes the perfect college savings formula is a combination of all the plans: That the Nevada Prepaid Tuition Program is an insurance against the rising costs of tuition, and that a 529 account and a Governor Guinn Millennium Scholarship plan helps pay for books and housing and all other expenses for higher education.

Bob Seale inquired about how this marketing plan would be paid for. Mr. Hewitt explained that they will be reallocating the money each individual plan receives and putting those funds into a pool.

Mr. Schwartz congratulated Linda English on being appointed to the Executive Board for the College Savings Plan Network which is affiliated with the National Association of State Treasurers.

Linda English gave an update on the Bad Act Language. She explained that the attorneys are still working on it, but staff expects to have a resolution by the next board meeting.

13. Public Comment

Mr. Schwartz updated the Board on the error in the financial statements. The updated financial statements were sent by email. Mr. Schwartz thanked Bob Seale for discovering the error.

Mr. Seale asked to know who approved the correct financial statements. Shane Chesney attested that the financial statements were correct.

There was no further business; thus, Mr. Schwartz adjourned the meeting at 11:00 a.m.

Attest:



Sheila Salehian, Secretary to the Board