

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING
May 4, 2015

Chairman Dan Schwartz, State Treasurer, called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 12:00 p.m., on Wednesday, May 4, 2015. The meeting was held in Carson City.

Board members present:

Chairman Dan Schwartz
Bob Seale
Jamie Hullman
Ned Martin
Janet Murphy

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
David Kausch, 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 Carson City.

Consent Agenda

2. For possible action: Board review and approval of the College Savings Board minutes of March 25, 2015.

Bob Seale motioned to approve the consent agenda, Ned Martin seconded the motion. Motion passed unanimously.

Discussion Agenda

3. For possible action: Board review of the Nevada Prepaid Tuition Program key indicators which drive funded status percentage, presented by the actuarial firm GRS. This discussion will provide the basis of a funded status policy to be brought back to the Board for a formal vote at the June 24, 2015 Board meeting.

David Kausch of Gabriel Roeder and Smith (GRS) gave a presentation on the draft Funding Policy for the Nevada Prepaid Tuition Program. Mr. Kausch explained that although the primary source of funding for the Program is contract payments made by the contract holders, currently there is \$1.8 million per year coming from the Nevada College Savings Trust Fund Endowment Account. Ms. Sheila Salehian added that in 2009, the State Treasurer's Office began transferring money from the endowment account; she also stated that the Board voted to transfer the \$1.8 million this year but decided to review if they would transfer it next year and build in guidance for the board within the funding policy.

The College Savings Board utilizes the actuary firm of GRS to determine pricing for new contracts. Mr. Kausch explained that the cycle of the actuarial control starts with identifying sources of risk, selecting assumptions and risk management methods. They then determine the annual contract pricing and monitor the plan experience with actuarial valuations. The purpose of the actuarial valuation is to compare the present value of obligations with the Program assets on the valuation date. They also analyze the factors that affect the funded status. The biggest risks include investment return risk and tuition inflation risk. The average risk premium in new contracts is 16% for 4-year universities and 6% for 2-year community college. David Kausch stated that when GRS became the actuarial firm, they conducted an audit of the program as well as a sensitivity analysis, and they determined that in terms of risks, some are expected to correct themselves over time. GRS believes there are more risks on the contracts for 9th graders than in the contracts for newborns which drove pricing recommendations. The risk premium is an extra charge in the contract price. Ned Martin reiterated that the College Savings Board has always tried to stay on the narrow side on the investments since their goal is to make sure there are sufficient funds to cover for tuition. David Kausch responded that since the Nevada Prepaid Tuition Program is not fully backed by the State, they might want to consider asset smoothing in future valuations. If there are any losses, these will be spread over time and cause a smaller shift in funded status opposed to the large spikes in funded status the program has seen in the past few years. He explained the smoothing methodology and suggested that it be incorporated into the funded status policy.

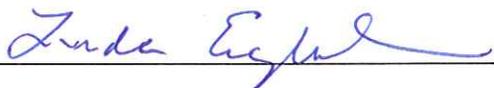
Ned Martin mentioned that the funded status policy should be built as a guidance document and not a strict policy so that the Board does not lose the flexibility to make decisions relative to the Prepaid Tuition Program.

Bob Seale mentioned that the Board should step back and figure out what the value of the contracts will be to the citizens of Nevada in 15 years. Dan Schwartz added that the pricing of the contracts will impact future sales; he believes this is a worthwhile program, and their goal should be to find a way to lower the price without jeopardizing the program. Ned Martin indicated that if their goal was to immediately drop the price, the solution would be to eradicate the premium risk cost. Mr. Kausch (GRS) stated that lowering the pricing from prior years would result in added risk and administrative challenges with existing purchasers. Grant Hewitt added that another solution to increasing sales would be to extend the open enrollment period. He mentioned that when the program first started, the open enrollment started in September rather than December. He also explained that when the Program first started, contract holders who withdrew from the program received 2% of the interest gained but nowadays they don't receive anything when they withdraw. Sheila Salehian cautioned that there are tax implications to purchasers of 529 plans, including prepaid plans when contracts are cancelled and there is an interest component built into the refund. There would also be administrative and system impacts if the program paid out interest on cancellations. Sheila Salehian suggested that the board could also consider adding an option for a 10 year payment plan since currently the only options are lump sum, 5-year payment plan and an extended plan. Mr. Kausch recapped that ultimately the College Savings Board has control over the funding and the pricing.

4. Public Comment

There was no further business; thus, Mr. Schwartz adjourned the meeting at 1:45 p.m.

Attest:



Linda English, Secretary to the Board