

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING
June 24, 2015

Chairman Dan Schwartz, State Treasurer, called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 10:03 a.m., on Wednesday, June 24, 2015. 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 Dan Schwartz – Carson City
Bob Seale – Carson City
Jamie Hullman – Carson City
Ned Martin – Las Vegas
Janet Murphy – Carson City

Others present:

Grant Hewitt, Chief of Staff, Treasurer's Office
Tara Hagan, Senior Deputy Treasurer-North
Linda J. English, Deputy Treasurer for College Savings
Sheila Salehian, Deputy Treasurer for Prepaid Tuition & Financial Literacy
Blanca Platt, Program Officer, Treasurer's Office
Troy Watts, Marketing Coordinator, Treasurer's Office
Shane Chesney, Nevada Attorney General's Office
Tricia Brady, Ascensus College Savings
Lisa Connor, Ascensus College Savings
Kate Beauparlant, SSgA
David Kausch, Gabriel, Roeder and Smith
Eric White, Pension Consulting Alliance
Kay Ceserani, Pension Consulting Alliance
Bryan Bedera, Amplify Relations
Abbi Whitaker, the Abbi Agency

Via Phone:

Judy Minsk, Putnam Investments
Ken Alberts, Gabriel, Roeder and Smith
Randy Milligan, Thomas & Thomas

Eduardo Borges, SSgA
Nick Ryder, Vanguard
Kim Stockton, Vanguard
Michael Montanez, Vanguard
Joanna Damp, SSgA
Khalel Pritchard, Ascensus College Savings
Bernie Williams, USAA
Audrey Syatt, Ascensus College Savings

Roll was taken, and it was determined a quorum was present. Ms. English 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 May 4, 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 March 31, 2015.
4. For possible action: Board review and approval of the Putnam 529 for America advisor sold program manager's report for the quarter ended March 31, 2015.
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 March 31, 2015.
6. For possible action: Board review and approval of the Ascensus marketing expenditures for the SSgA Upromise 529 Plan for the quarter ending March 31, 2015, and approve the expenditures for inclusion in the non-cash marketing commitment budget.
7. For possible action: Board review and approval of the Putnam marketing expenditures for the Putnam 529 for America Plan for the quarter ending March 31, 2015, and approve the expenditures for inclusion in the non-cash marketing commitment budget.

8. For possible action: Board review and approval of Amendment 12 of the USAA Private Label Agreement which reflects a change in the Plan's trading platform, the assignment of transfer agent services to Ascensus College Savings Recordkeeping Services, LLC; provides for a travel reimbursement to the State, and records the change of name for the Upromise entities following the acquisition by Ascensus, Inc.
9. For possible action: Board review consent to the delegation of transfer agent and servicing responsibilities from Ascensus Broker Dealer Services, Inc. to its affiliate, Ascensus College Savings Recordkeeping Services, LLC.
10. For possible action: Board review and approval of Amendment #1 to the Nevada College Savings Program SSgA Upromise 529 Operational Agreement which reflects the assignment of transfer agent services to Ascensus College Savings Recordkeeping Services, LLC, allows the suppression of quarterly account statements when an account has no transactional activity in the specific quarter, and the addition the SSgACollege 2033 Portfolio.
11. For possible action: Board review and approval of a supplement to the SSgA Upromise 529 Plan Description and Participation Agreement which reflects the change in State Treasurer, enhancements to the Ugift service, the ability to suppress quarterly statements on account without activity for the quarter, the addition of SSgA College 2033 Portfolio effective in September 2015, and updated fee and hypothetical cost of investment charts.
12. For possible action: Board review in-state marketing plans for the Vanguard 529 College Savings Plan, USAA College Savings Plan, SSgA Upromise Plan for the RIA channel and Putnam 529 for America.
13. For possible action: Board review and approval of the final recipients for the Kenny C Guinn Memorial Millennium Scholarship award for the 2015-2016 academic year.
14. For possible action: Board review and approval the FY16 Education and Outreach plan and budget for the umbrella and SSgA Upromise 529 Plan.

Ned Martin requested to discuss Agenda Items 3 and 13. Bob Seale wished to pull Agenda Item 5 from the consent agenda. Bob Seale motioned to approve the consent agenda excluding Agenda Items 3, 5 and 13. Janet Murphy seconded the motion.

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 March 31, 2015.

Ned Martin asked for clarification on page 16 of the report from Ascensus College Savings for the direct-sold college savings plans. Page 16 of the report stated that the

accuracy of new accounts set up was 84.85%; thus, Mr. Martin wanted to know the reason as to why there were so many discrepancies. Tricia Brady explained that the lack of volume causes the percentage to drop significantly. Ms. Brady further explained that they received 24 new accounts and there were only two discrepancies. These errors were non-financial errors.

Jamie Hullman also noted that in the 4th quarter of 2013 there was a large spike in volume of new accounts, and he wanted to know what caused that. Tricia Brady responded that the large spike was due to the creation of the Nevada College Kick Start Program. 3,400 accounts were established as individual accounts for students in rural Nevada as part of the Nevada Kick Start pilot.

Ned Martin motioned to approve Agenda Item 3. Jamie Hullman seconded the motion.

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 March 31, 2015.

Bob Seale inquired about the quarterly compiled financial statement. He wanted to know if there was a reason they were being prepared. Randy Milligan of Thomas & Thomas LLP explained that the quarterly reports are prepared to show the balance of the four plans at the end of each quarter. Mr. Seale also wanted to know why Thomas & Thomas chose to prepare unaudited compiled financial statements. Mr. Milligan explained that they had always been asked to do consolidated statements. Linda English clarified that on a quarterly basis they utilize the unaudited consolidated statements to record plan balances in the State's record keeping system which was a requirement of the State Legislative audit conducted a few years ago. She also stated that the plans are audited on an annual basis.

Jamie Hullman motioned to approve Agenda Item 5. Janet Murphy seconded the motion.

13. For possible action: Board review and approval of the final recipients for the Kenny C Guinn Memorial Millennium Scholarship award for the 2015-2016 academic year.

Ned Martin congratulated Ms. Youngberg and Mr. Torres and mentioned that they are both deserving of this scholarship. He stated they were both great examples of the Nevada education system. Treasurer Schwartz added that Nevada needs more students like them.

Ned Martin motioned to approve Agenda Item 13. Janet Murphy seconded the motion.

Discussion Agenda

15. For possible action: Board review and approval of the Prepaid Tuition Investment Monitoring Report prepared by Pension Consulting Alliance, Inc. for the quarter ended March 31, 2015.

Eric White and Kay Ceserani from Pension Consulting Alliance reported that during the last quarter, the Total Portfolio increased in value by \$2.7 million. They also explained that over the latest year the Total Portfolio has increased by \$23 million. The Prepaid Tuition Plan is currently 126% funded. Treasurer Schwartz asked about the Small Cap equity which was slightly underweight. Mr. White explained that Small Cap is slightly underweight the target allocation not underweight the performance.

Bob Seale motioned to approve Agenda Item 15. The motion was seconded by Jamie Hullman.

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 March 31, 2015.

Eric White and Kay Ceserani reviewed the portfolios that qualify for "Watch" status. Currently, there are three funds that fall under this category; those funds include: USAA Income Stock, SPDR International Small Cap ETF and Putnam International Capital Opportunities. PCA recommended the removal of the SPDR International Small Cap ETF from "Watch" status. Since the performance criteria for this fund has been updated, the fund's tracking error no longer exceeds the probationary performance bands. The Putnam International Capital Opportunities fund has underperformed by 6.3% over the past year due to poor stock selection and poor sector allocation decisions; thus, PCA recommends the fund remain on "Watch" status. Eric White explained that the USAA Income Stock fund has been on "Watch" status for 24 months but PCA is still confident in the fund's ability to fulfill its role as a lower risk, higher-quality equity fund. Mr. White mentioned that although the fund has underperformed, it is consistent with its style, and it has merit within the Program. Bob Seale asked what benchmark they are currently using for this fund. Mr. White responded that the benchmark being used is that which is contained in the fund's prospectus; he added that PCA would customize an appropriate benchmark that would better fit the purpose of this fund.

Jamie Hullman motioned to approve Agenda Item 16. Janet Murphy seconded the motion.

17. For possible action: Review and approval of the amended Vanguard AGI 529 Interest Accumulation Agreement to include wrapped bond contracts.

Tom Hewitt and Dan Reyes from Vanguard explained that in August 2013, the Board approved the addition of wrapped bond contracts as an allowable investment within the Vanguard AGI 529 Interest Accumulation Agreement. Mr. Reyes explained that a

wrapped bond contract is a contract in which Vanguard enters into a relationship with a high rated financial institution that securitizes and wraps mutual funds that are held in trust for the Plan. Vanguard and the State Treasurer's Staff have been working to agree upon the placing of investments into the wrapped bonds. Bob Seale asked if the Nevada statutes allow wrapped bonds as a permissible investment. Tara Hagan stated that there is nothing in statute that would prohibit this investment. Shane Chesney added that he would verify if there was anything in statute that would prohibit this investment.

Jamie Hullman motioned to approve Agenda Item 17. Ned Martin seconded the motion.

18. For possible action: Board review and approval of a proposal to make changes to the USAA 529 College Savings Plan to reduce fees.

Paul Fulmer and Caroline Tucker presented USAA's proposed plan to reduce fees in the USAA plan to make it more affordable and competitive. Caroline Tucker explained that the proposal will lower the amount of fees paid by USAA participants, and it will reduce the fees received annually by the Board by approximately \$500,000. The proposal reduces participants' fees by replacing retail mutual funds with institutional mutual fund share classes; it eliminates the \$15 per account State fee, reduces the current \$15 per account Low Balance fee to \$10 and reimburses the Board up to \$5,000 in travel expenses to conduct on-site due diligence trips to USAA. Tricia Brady added that this proposal also increases the non-cash commitment by Ascensus for the Silver State Matching Grant Program commitment from \$50,000 plus CPI-U to \$100,000 plus CPI-U as well as adding a field representative based in Las Vegas. Linda English clarified that if approved by the Board, these changes will take effect in January 2016. Beginning in Fiscal Year 2017, the Board will receive \$2.5 million. Dan Schwartz also added that although the Board is receiving less money, the individual participants will benefit from this change.

Ned Martin motioned to approve Agenda Item 18. Jamie Hullman seconded the motion.

19. For possible action: Board review and approval of Amendment 8 of the Program Management Agreement with Ascensus College Savings.

This agenda item was contingent upon the approval of item 18. Since Agenda Item 18 was approved, Linda English explained that Amendment 8 solidifies the commitment by Ascensus to the Board for the funding increase for the Silver State Matching Grant Program. This action increases the funding from \$50,000 to \$100,000, and it also provides a field representative based in Las Vegas. This agreement also allows for the suppression of quarterly participant statements if the account does not have any transactions in that particular quarter. The statements will still be generated and will be readily available to participants via their online account. Tricia Brady added that participants will still receive an annual statement.

Bob Seale motioned to approve Agenda Item 19. Janet Murphy seconded the motion.

20. For possible action: Board review and approval of the annual investment presentation for the Vanguard 529 Plan.

Tom Hewitt and Dan Reyes presented the annual investment review to the Board. Their recommended changes to Vanguard 529 Plan is to increase international equity allocation to 40% of total equity allocation in the age-based and static portfolio options and replace the Vanguard Inflation-Protected Securities Fund with the Vanguard Short-Term Inflation-Protected Securities Fund in the Income Portfolio. Their recommendation is based on their expectation that the 529 portfolio allocations will reflect worldwide market cap. The plans that will be impacted by their recommendation are the aggressive growth, growth, moderate growth and the conservation growth portfolio. Currently, those portfolios have 70% of their equity allocation dedicated to domestic equities and 30% allocated to international equities. The recommendation would change the portfolios to 60% in domestic equities and 40% in international equities. PCA's commentary was that they agree with Vanguard's recommendation.

Jamie Hullman motioned to approve the recommendations in Agenda Item 20. Janet Murphy seconded the motion.

21. For possible action: Board review and approval of the selections of Amplify Relations and the Abbi Agency to provide outreach, education and promotion services and the contracts to perform service for the Nevada College Savings Plans.

Grant Hewitt introduced Amplify Relations and the Abbi Agency as the agencies selected to provide education and outreach assistance to the Nevada College Savings Plans. The RFP for outreach, education and promotion services was released on March 30, 2015. The Abbi Agency was chosen for Social Media Messaging & Digital Marketing. Amplify Relations was chosen for Creative, Layout, Design, & Public Relations, TV & Radio Production, and Media Placement, and Printing, Collateral & Mailing Services. Penna Powers was chosen to provide Creative and PR support but since they declined to enter into contract negotiations, it was offered to Amplify Relations.

The new mascot, Sage, was introduced at the meeting. Bryan Bedera, President for Amplify Relations, explained that their goal is to change the culture of education by not only engaging kids to want to go to college, but also show parents that college is attainable and motivate them to invest in 529 accounts. Abbi Whitaker explained that they will utilize retargeting, contesting, UGC, visual storytelling and strategic digital ads to connect with families. Bob Seale asked how long the contract was for; Grant Hewitt responded that the contract was for one year.

Janet Murphy motioned to approve Agenda Item 20. Jamie Hullman seconded the motion. Grant Hewitt added that since this item has been approved, it will go to the Board of Examiners in its July meeting.

22. For possible action: Board review and approval a proposal to engage 529 disclosure and compliance outside legal counsel to the Board and authorize staff to secure such engagement.

Grant Hewitt explained that the Treasurer and Staff are requesting authorization to seek outside legal counsel for 529 program disclosure and compliance. The principal attorney assigned to this engagement will be James W. C. Canup, and he will aide in the review and/or drafting of program descriptions, reviewing marketing materials for compliance and attending the board meeting. Linda English explained that they believe the Board could benefit from his expertise in 529 plans. She added that the contract will not exceed \$100,000 annually.

Bob Seale motioned to approve Agenda Item 22. Ned Martin seconded the motion.

23. For possible action: Board review and approval of the 2015 actuarial assumptions for the Prepaid Tuition Program.

Ken Alberts and David Kausch from Gabriel, Roeder and Smith discussed the recommended assumptions for the 2015 Prepaid Tuition Program. They recommended lowering the assumption to 2.75% for the rate of inflation, and decreasing the long term tuition increase assumptions to 5.75% for 4 year institutions and 5.50% for 2 year institutions. They also agreed with the investment recommendation of lowering the assumed rate of investment return to 6.00%.

The motion to approve Agenda Item 23 was done by Bob Seale. Janet Murphy seconded the motion.

24. For possible action: Board review and approval of the suggested enrollment dates, and/or contract pricing for the 2016 Nevada Prepaid Tuition Program.

Sheila Salehian recommended extending the general open enrollment period for the Nevada Prepaid Tuition Program. The recommendation would allow participants to enroll from November 1st to March 31st and eliminate the additional enrollment period specifically for newborns. Staff is also recommending keeping prices flat to last year's prices to make the program more affordable.

Bob Seale motioned to approve Agenda Item 24. Ned Martin seconded the motion.

25. Staff Notes:

Grant Hewitt updated the Board on the Legislative changes that were made in the 2015 Legislative Session that impact the Treasurer's Office. SB128 increased the number of credit hours required for students to be eligible for the Millennium Scholarship. Students must enroll in nine credit hours at a community college to be eligible to receive funds from the Millennium Scholarship. It also allows students to receive funds for a maximum of 15 credits.

SB302 creates a universal school choice program for the first time in Nevada. This program allows Nevada children the option to attend other institutions, such as private schools, and receive a grant to help defray the cost. Starting July 1st, the Nevada State Treasurer's Office will assume the administration of this program.

Other bills that were signed by the Governor include SB419, which is ABLE legislation to allow families the opportunity to set up tax-free 529A savings accounts for disability-related expenses. SB 412 provides a tax credit to employers who match the contribution of an employee saving in a plan offered by the Nevada College Savings Program. The tax credit is equal to 25 percent of the matching contribution, not to exceed \$500 per employee per year.

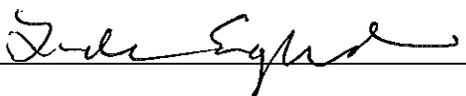
Linda English stated that 172 Silver State Matching Grant applications have been received as of June 16, 2015. Sheila Salehian added that over 1,000 women attended the women's money conferences that took place in Las Vegas and Reno. An RFP will be issued at the end of the month to provide annual financial literacy conferences for Military Veterans and Senior Citizens. The Andson Foundation completed a successful financial literacy program at six Clark County School District schools. They administered the financial literacy program to a total of 1,763 students.

26. Public Comment

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

Hearing no further business, Chairman Schwartz adjourned the meeting at 12:25 p.m.

Attest:



Linda English, Secretary to the Board