

Dan Schwartz
State Treasurer



STATE OF NEVADA
OFFICE OF THE STATE TREASURER

NOTICE OF PUBLIC MEETING

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

Wednesday, March 25, 2015
2:00 p.m.

Meeting via teleconference:

Dial in access: 1-888-251-2909 Access Code 7399092

All items listed on this agenda are for discussion and action by the Board of Trustees unless otherwise noted. Action may consist of any of the following: approve, deny, condition, hold, or table.

AGENDA

1. **Public Comment.** *Comments from the public are invited at this time prior to the commencement of possible action items. Because of time constraints, speakers must limit their comments to 3 minutes and are urged to avoid repetition of comments made by previous speakers. The Board is precluded from acting on items raised during Public Comment that are not on the agenda.*

Consent Agenda

Consent Agenda - All matters in this sub-category are considered by the Board of Trustees to be routine and may be acted upon in one motion without discussion. Most agenda items are phrased for a positive action. However, the Board of Trustees may take other actions, such as hold, table, amend, etc.

2. For possible action – Board review and approval of the minutes of the College Savings Board of Trustees meeting of March 11, 2015.

CARSON CITY OFFICE
101 N. Carson Street, Suite 4
Carson City, Nevada 89701-4786
(775) 684-5600 Telephone
(775) 684-5623 Fax

STATE TREASURER PROGRAMS
Governor Guinn Millennium Scholarship Program
Nevada Prepaid Tuition Program
Unclaimed Property
College Savings Plans of Nevada
Nevada College Kick Start Program

LAS VEGAS OFFICE
555 E. Washington Avenue, Suite 4600
Las Vegas, Nevada 89101-1074
(702) 486-2025 Telephone
(702) 486-3246 Fax

Discussion

3. For possible action – Board review and approval of an amendment to the Putnam Investment Management, Marketing and Administrative Services Agreement to extend the notice period stated in section 12 of the contract.

Comments

4. **Public Comment.** *Comments from the public are invited at this time prior to the commencement of possible action items. Because of time constraints, speakers must limit their comments to 3 minutes and are urged to avoid repetition of comments made by previous speakers. The Board is precluded from acting on items raised during Public Comment that are not on the agenda.*

Prior to the commencement and conclusion of a contested case or a quasi judicial proceeding that may affect the due process rights of an individual the board may refuse to consider public comment. See NRS 233B.126.

Items on the agenda may be taken out of the order presented at the discretion of the Chairman.

Items may be combined for consideration by the public body.

Items may be pulled or removed from the agenda at any time.

Notice of this meeting was posted at the following locations in Carson City, Nevada:

State Capitol Building, 1st & 2nd Floor & Basement, 101 North Carson Street

Nevada Legislative Building, 401 South Carson Street

Nevada State Library, 100 Stewart Street

Blasdel Building, 209 East Musser Street

Notice of this meeting was posted at the following location in Las Vegas, Nevada:

Grant Sawyer State Office Building, 555 East Washington Avenue, Suite 4600, Las Vegas, Nevada

1st Floor Capitol Police - (702) 486-2012

Notice of this meeting was posted on the following website:

www.nevadatreasurer.gov

We are pleased to provide members of the public supporting material for the meeting as well as make reasonable accommodations for members of the public who are disabled and would like to attend the meeting. If supporting material or special arrangements for the meeting are required, please notify Sheila Salehian with the Office of the State Treasurer, 555 E Washington, Suite 4600, Las Vegas, NV 89101 or call (702) 486-3955 or fax your request to (702) 486-3246 as soon as possible. Materials will also be available at the Office of the State Treasurer, College Savings, 555 E. Washington Suite 4600, Las Vegas, NV 89101

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING
March 11, 2015

Chairman Dan Schwartz, State Treasurer, called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 10:00 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 – Las Vegas
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

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

Agenda Item 3
March 25, 2015

**Item: Amendment to the Investment Management,
Marketing and Administrative Services Agreement
with Putnam Investment Management, LLC.**

Recommendation:

**That the Board review and approve Amendment 2 to the
Investment Management, Marketing and Administrative
Services Agreement with Putnam Investment Management,
LLC, and/or direct staff.**

Fiscal:
None by this action.

The original five year agreement with Putnam to offer Putnam 529 for America is set to expire on September 30, 2015. Provision 12.2 of the Investment Management, Marketing and Administrative Services Agreement states that either party must give notice 180 days from the contract expiration date if a party desires to terminate the contract.

Putnam has indicated that it desires to renew the contract but would like additional time to work on modifications to the contract.

This second amendment to the Investment Management, Marketing and Administrative Services Agreement with Putnam Investment Management, LLC. removes the 180 day notice requirement and will extend the notice date stated in provision 12.2 of the Agreement to the five year anniversary of the commencement of the agreement, or September 30, 2015.

Judy Minsk of Putnam and Shane Chesney, Senior Deputy Attorney General, will be available to answer questions.

EXECUTION VERSION

AMENDMENT NO. 2 TO
INVESTMENT MANAGEMENT, MARKETING
AND ADMINISTRATIVE SERVICES AGREEMENT

AMONG

THE STATE OF NEVADA
BOARD OF TRUSTEES
OF THE COLLEGE SAVINGS PLANS OF NEVADA
Acting By and Through its Administrator,
THE STATE TREASURER

AND

PUTNAM INVESTMENT MANAGEMENT, LLC,
PUTNAM RETAIL MANAGEMENT LIMITED PARTNERSHIP,
PUTNAM INVESTOR SERVICES, INC.,
AND PUTNAM FIDUCIARY TRUST COMPANY

This Amendment No. 2 dated as of March 25, 2015 (the "Amendment") amends the Investment Management, Marketing and Administrative Services Agreement made and entered into the 12th day of August, 2010, as amended September 12, 2014 (as amended hereby and is it may be hereafter amended in accordance with its terms, the "Agreement") among The State of Nevada Board of Trustees of the College Savings Plans of Nevada acting by and through its Administrator, the State Treasurer (the "Board") and Putnam Investment Management, LLC ("PIM"), Putnam Retail Management Limited Partnership ("PRM"), Putnam Investor Services, Inc. ("PSERV") and Putnam Fiduciary Trust Company ("PFTC" and, together with PIM, PRM and PSERV, "Putnam").

All defined terms not otherwise defined in this Amendment shall have the meanings set forth in the Agreement.

Effective as of March 25, 2015 (the "Effective Date"), Section 12.2 of the Agreement is hereby deleted in its entirety and replaced with the following:

Section 12.2 In advance of the fifth anniversary of the Plan Commencement Date, the parties shall confer with respect to the continuation of the term of this Agreement beyond such fifth anniversary. The term of this Agreement shall be extended to the tenth anniversary of the Plan Commencement Date unless either party shall have notified the other party of its intention not to so extend the term of this Agreement by written notice (the "Notice of Non-Extension") delivered to the other party no later than the fifth anniversary of the Plan Commencement Date but in any event as soon as reasonably practicable following such party's conclusion that the parties are unable to reach mutually acceptable terms for the continuation of this Agreement. Notwithstanding the foregoing, neither the Board nor Putnam shall be entitled to deliver such Notice of Non-Extension if Putnam has satisfied the Performance Criteria as set forth in Schedule D of this Agreement as of June 30, 2015.

In Witness Whereof, the parties have executed this Amendment as of the date set forth above:

BOARD OF TRUSTEES OF
THE COLLEGE SAVINGS PLANS OF NEVADA

By _____

(Please print or type full name and title)

PUTNAM INVESTMENT MANAGEMENT, LLC

By _____

(Please print or type full name and title)

PUTNAM RETAIL MANAGEMENT LIMITED PARTNERSHIP

By _____

(Please print or type full name and title)

PUTNAM INVESTOR SERVICES, INC.

By _____

(Please print or type full name and title)

PUTNAM FIDUCIARY TRUST COMPANY

By _____

(Please print or type full name and title)

APPROVED BY BOARD OF EXAMINERS

Signature Board of Examiners

On: _____
(Date)

Approved as to form by:

Deputy Attorney General for Attorney General

On: _____
(Date)