

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING
March 24, 2016

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 Thursday, March 24, 2016. 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 – Las Vegas
Ned Martin – Las Vegas
Bob Seale – Carson City
Janet Murphy – Carson City
Jamie Hullman – via telephone

Others present:

Tara Hagan, Chief Deputy Treasurer, Treasurer's Office
Grant Hewitt, Chief of Staff, Treasurer's Office
Linda J. English, Senior Deputy Treasurer – South
Budd Milazzo, Senior Deputy Treasurer – North
Sheila Salehian, Deputy Treasurer for Prepaid Tuition & Financial Literacy
Shane Chesney, Nevada Attorney General's Office
Troy Watts, Marketing Coordinator, Treasurer's Office
Blanca Platt, Program Officer, Treasurer's Office
Amairani Gonzalez, Program Officer, Treasurer's Office
Nicolette Johnston, Public Information Officer, Treasurer's Office
Sue Serewicz, Ascensus College Savings
David Malone, Ascensus College Savings
George DuCasse, Ascensus College Savings
Suzanne Fetky, Ascensus College Savings
Khalel Pritchard, Ascensus College Savings
Ardie Hollingsworth, Ascensus College Savings
Lisa Connor, Ascensus College Savings
Christopher Smith, USAA College Savings
Paul Fulmer, USAA College Savings
Joanna Damp, SSgA Upromise

Rossemary Calderon, SSgA Upromise
Tom Hewitt, Vanguard College Savings
Kim Stockton, Vanguard College Savings
Megan Bedera, Amplify Relations
Eric White, Pension Consulting Alliance
Kay Ceserani, Pension Consulting Alliance

Attending via telephone:

Judy Minsk, Putnam Investments
James Canup, Hirschler Fleischer
Bob Landry, USAA
Greg Walker, Thomas & Thomas

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 January 28, 2016.
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, 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 December 31, 2015. Bob Seale motioned to approve the Consent Agenda. Janet Murphy 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 December 31, 2015.
6. For possible action: Board review and approval of the Second Amendment to the Nevada College Savings Program SSGA Upromise 529 Operation Agreement to update the Permitted Investments and schedules A, A-1 and B to reflect changes in the Plan to be implemented as of March 31, 2016.

7. For possible action: Board review and approval of a supplement to the Vanguard 529 College Savings Plan Program Description to disclose recently enacted changes to Section 529 by the Protecting Americans from Tax Hikes Act which allows the inclusion of computers as a qualified education expense and the ability to recontribute refunds of qualified withdrawals within 60 days of distribution without incurring tax consequences.
8. For possible action: Board review and approval of a supplement to the USAA 529 College Savings Plan Program Description and Participation Agreement to disclose recently enacted changes to Section 529 by the Protecting Americans from Tax Hikes Act which allows the inclusion of computers as a qualified education expense and the ability to recontribute refunds of qualified withdrawals within 60 days of distribution without incurring tax consequences.
9. For possible action: Board consent to a contract extension of the USAA Private Label Agreement between USAA and Ascensus Broker Dealer, Inc.
10. For possible action: Board review and approval of a proposal to reduce the program management fees in the Vanguard 529 College Savings Plan effective when the Plan reaches \$12 billion in assets under management, the accompanying Amendment 9 to the Vanguard Private Label Product Agreement with Ascensus and a supplement to the Program Description necessary to disclose such fee reduction.
11. For possible action: Board review and approval of the Prepaid Tuition Investment Monitoring Report prepared by Pension Consulting Alliance, Inc. for the quarter ending December 31, 2015.
12. For possible action: Board to receive an update on "Let's Go to College! Nevada Saves" from Amplify Relations.

Ned Martin motioned to approve the consent agenda. Bob Seale seconded the motion.

Discussion Agenda

13. 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 ending December 31, 2015.

Eric White from Pension Consulting Alliance presented the Nevada College Savings Plans Investment Monitoring Report for the quarter ending December 31, 2015. He explained that the plans, except for USAA, are doing better than the Morningstar median. Judy Minsk, Putnam, explained that Putnam has had an above median performance largely due to the management team, the approach to managing the portfolio and working with Treasurer Staff. Bob Lander, USAA, explained that USAA's

underperformance is not uncommon, and it's due to their active management approach. Mr. Lander added that active management is a cyclical phenomenon.

Eric White stated that currently four funds from the USAA Program qualify for Watch Status. Those funds include: USAA Emerging Markets, USAA Real Return, USAA Intermediate-Term Bond and USAA Income. Putnam 529 has three funds on Watch Status which include: Putnam International Capital Opportunities, Putnam Income and Putnam Voyager. PCA recommends that Putnam International Capital Opportunities should be replaced since it has a long record of underperformance. Mr. White added that Vanguard 529 and SSgA Upromise currently don't have any funds that qualify for Watch Status.

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

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

Tom Hewitt and Kim Stockton presented Vanguard's annual investment review. Vanguard proposed an increase in global diversification by adding exposure to hedged international bonds. Vanguard recommended allocating 30% of fixed income exposure to hedged international bonds through an investment in Vanguard Total International Bond Index Fund as a new stand-alone portfolio. Mr. Hewitt explained that this would remove the currency risk. Ms. Stockton commented that Vanguard believes that this fund would behave like a US Bond, but it will have less volatility since there is little to no correlation between the countries. She added that this fund is not actively managed and that the fees will have no cost impact for the participants

Eric White stated that Pension Consulting Alliance reviewed Vanguard's proposed changes, and they recommend that the Board accepts Vanguard's proposal of adding the Vanguard International Bond fund as a stand-alone option, but PCA believes that the amount of fixed income allocation should be determined at the Board level. Bob Seale asked if a smaller allocation than the 30% would work. Tom Hewitt responded that any amount would be beneficial.

Treasurer Schwartz voted against it for now but would like to revisit this proposal in six months. Janet Murphy voiced her concern with the 30% allocation, and she commented that she is favor of revisiting the proposal once Vanguard has more data points.

Ned Martin motioned to revisit adding Vanguard International Bond fund at the plan level in six months. Bob Seale seconded the motion.

15. For possible action: Board review and reaffirmation of the education and outreach budget for Fiscal Year 2016 as requested by Governor's Finance Office.

Tara Hagan explained that at the July 29, 2014 meeting, the Board of Trustees discussed and approved proposed expenditures from the College Savings Endowment Account. The Board approved a total operating budget of \$3,485,300 but the budget that was submitted for Fiscal Year 2016 was \$266,607 less than the budget approved by the Board. Therefore, staff is requesting the Board affirm an amount closer to the previous amount of \$3,485,300. Staff is recommending the Board reaffirm \$211,540 rather than the entire \$266,607; this would allow staff to transfer this amount from the College Savings Endowment Account to the College Savings operating budget for communication, education and outreach.

Bob Seale motioned to approve Agenda Item 15. Ned Martin seconded the motion.

16. For possible action: Board review and approval of a proposal to renew and enhance the Nevada College Kick Start program and its corresponding budget for FY 2017.

Linda English proposed enhancements to the Nevada College Kick Start program since the plan had an initial three year pilot. The pilot includes over 101,000 students statewide. Ms. English explained that while staff is pleased with the progress the Program has made to date, the proposed enhancements will not only increase participation in the Nevada 529 Savings Plan, but they will also incentivize Nevada families to claim and link their CKS accounts with an active Nevada 529 account. Grant Hewitt stated that these enhancements will help develop a culture of saving for college.

Mr. Hewitt explained that this is a self-supporting plan that requires parents to take action by June 30 after the child completes his or her third grade school year; this allows the program to "reclaim" or else the initial contribution of \$50 will go back to the trust fund. This plan also includes children in private schools, which the pilot program did not. Grant Hewitt explained that families who open a separate savings account, a \$200 contribution will be added to the participant's CKS account. The plan also offers a \$100 contribution into the participant's CKS account when parents link a bank account to their college savings account and establish automatic contributions. Families who purchase a Prepaid Tuition contract with a lump-sum payment will also receive a \$1,000 contribution. Bob Seale asked where the money for this program came from and Linda English responded that the funds are transferred from the College Savings Endowment Account.

Ned Martin motioned to approve Agenda Item 16. Janet Murphy seconded the motion.

17. Staff Notes

Staff did not have any additional updates.

18. Public Comment

Linda English commented that Sue Serewicz has replaced Tricia Brady as the relationship manager for Ascensus. She added that Chris Smith is also replacing Caroline Tucker of USAA. There were no public comments in Carson City.

Meeting adjourned at 12:00PM.

Attest:

A handwritten signature in cursive script, appearing to read "Linda English", is written over a horizontal line.

Linda English, Secretary to the Board