

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING
July 14, 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, July 14, 2016. The meeting was held by video conference from the Nevada State Laxalt Building, 401 North Carson Street, 2nd Floor Chambers, 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
Ned Martin – Las Vegas
Bob Seale – Carson City
Janet Murphy – Carson City

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
Holly Primka, Treasurer's Office
Sheila Salehian, Deputy Treasurer for Prepaid Tuition & Financial Literacy
Blanca Platt, Treasurer's Office
Troy Watts, Treasurer's Office
Shane Chesney, Nevada Attorney General's Office
Allisa Robertson, Amplify Relations
Ken Alberts, Gabriel Roeder Smith (GRS)
Gina Robison, Women's Money
Michele Johnson, Financial Guidance Center
Sue Serewicz, Ascensus College Savings
Caitlin Robinson, Putnam
Jacob Rose, PWC
Judy Minsk, Putnam
Nick Chingris, Putnam
Tony Scola, SSGA
Pattie Weed, Thomas & Thomas
Tom Hewitt, Vanguard

Anna Agranov, Ascensus
Tae Jeon, Ascensus
Dan Carter, Eide Bailey
Jamie Canup, Hirschler Fleischer
Chris Smith, USAA

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 minutes of the College Savings Board of Trustees meeting of June 21, 2016.
3. For possible action: Board review and approval of the education and outreach expenditure report for the SSGA Upromise 529 Plan for the quarter ended June 30, 2016 to be recorded as non-cash revenue in the State's accounting system.
4. For possible action: Board review and approval of the auditors selected by each of the Nevada College Savings Plans program managers to conduct annual audits for FY16 for the SSGA Upromise 529 Plan, the Vanguard 529 Plan, Putnam 529 for America, and the USAA 529 Plan,).
5. For possible action: Board review and approval of the audit scope letter dated June 15, 2016 from Eide Bailly that summarizes the significant terms of engagement for the FY16 audit of the Higher Education Tuition Trust Fund (Nevada Prepaid Tuition Program)
6. For possible action: Board review and approval of a supplement to the Putnam 529 for America Offering Statement to notice participants that the Putnam Money Market Fund Investment Option will be replaced with the Putnam Government Money Market Fund Investment Option.
7. For possible action: Board review and approval of a supplement to the SSGA Upromise 529 Plan Description and Participation Agreement to notice participants that the State Street Institutional Liquid Reserves Money Market fund will be replaced with the State Street Institutional Treasury Money Market Fund in all age and risk based portfolios.

8. For possible action: Board consent to a contract between VistaShare and Ascensus College Savings to provide a system to manage Nevada College Kick Start participant data.
9. For possible action: Board receive a report on Women's Money summarizing the four conferences conducted in Fiscal Year 2016.
10. For possible action: Board receive a report from the Financial Guidance Center on its Senior & Veterans conference. in Fiscal Year 2016.

Bob Seale asked to pull Agenda Item 5 from the Consent Agenda.

Bob Seale motioned to approve the Consent Agenda. Janet Murphy seconded the motion. Motion passed unanimously.

Bob Seale commented on Agenda Item 5 that he thought the pricing was favorable for the state of Nevada.

Bob Seale motioned to approve the Agenda Item 5. Ned Martin seconded the motion. Motion passed unanimously

Discussion Agenda

11. For possible action: Board review and approval of limited incentives related to the Nevada College Kick Start Program for kindergarteners in the 2016-2017.

Staff discussed the background and different enhancements to the Nevada Kick Start Program which the Board approved at its March 2016 meeting. These enhancements were contingent upon approval by the Interim Finance Committee (IFC) at its June 30, 2016 meeting. During the IFC meeting, the Committee did not approve the enhancements stating they were uncomfortable having IFC make that decision and instead preferred that the enhancements go before the full Legislature in the next biennium session. Instead of the \$2.6 million requested by the Board, the IFC approved a total of \$1,950,900. After the IFC meeting, staff calculated the estimated cost to operate the CKS program without enhancements to be \$1,784,000 the difference between the amount approved by IFC and the estimated amount to fund the incoming CKS kindergarten class is approximately \$167,000. Staff sought input and approval from the Board to use the \$167,000 to provide some limited incentives to incoming 2016 CKS participants.

Staff explained that the IFC requested the Board provide data to indicate that the Program is making a difference in the number of Nevadans opening college savings accounts. Staff testified that although the CKS program has resulted in over 1,400 Nevadans opening 529 accounts, it's the Board's belief that the additional incentives are

needed to help create a culture of savings in Nevada. Staff noted that these incentives are needed to provide the data the IFC is seeking; therefore, we believe this interim solution with limited incentives will assist the Board in providing the data the Legislature is seeking.

Grant Hewitt explained that, with this agenda item, staff is requesting the Board's approval to use the limited funding on incentives to encourage CKS families to open their own accounts to help provide data on the return on investment. Before the Board is a proposal to provide CKS families with children entering kindergarten in 2016 with either a \$100, \$150 or \$200 incentive contribution when they open a 529 account in a Nevada plan. This incentive would be capped at \$166,900. At the \$200 level, around 700 accounts would be eligible for this incentive, which is 2%. The CKS class entering school in 2016 would be eligible for this incentive on a first-come first-served basis until funding is exhausted.

Bob Seale asked how much money we are talking about.

Grant Hewitt stated that it is not to exceed \$166,900.

Janet Murphy questioned if we could still get IFC or the Legislature the data they are requesting with just the initial \$50.

Grant Hewitt replied that we could look at how the \$50 moved the needle. Historical trends show that Kick Start with an initial contribution of \$50 did something, it didn't blow the roof off anything but it did do something. We can't show, unless we were to implement the requested incentives, that the additional incentive would move the needle substantially higher than with just the \$50 initial contribution. We are trying to find a way to get the Legislators the data they would like but also not disrespect the process.

Ned Martin questioned if there was a way to restructure the program instead of adding an addition \$2 million to the \$5 million that has already been invested.

Grant Hewitt responded that there are always ways to restructure and one of the actions the Board took at the last meeting when we addressed Kick Start was the reclaiming of accounts. It was discussed that after the third grade, if an account has not been claimed or the parent has not acknowledged the existence of the account then the money would be reclaimed and the program would become self-sustaining. No matter what the Board decides, there will be a claiming process through VistaShare so that parents can update their information, provide an email, and provide other information to acknowledge that they have the Kick Start account. If parents take that acknowledgement one step further and they open their own account, they can link their

Kick Start and personal account together. The incentives, if approved would add an additional \$200 to their Kick Start account because they took the additional step to start saving for college.

Treasurer Schwartz asked if Mr. Hewitt could remind the Board what VistaShare is.

Grant Hewitt explained that VistaShare is a company that has recordkeeping program that Ascensus brought to the table that provides a user friendly way for families to track their Kick Start account daily. The contract between Ascensus and VistaShare was just approved on the consent agenda. It is a program that allows a parent to log into a database with their account number and acknowledge that their Kick Start account exists and allows them to track incentive dollars. Once they families open their own 529 plan account, the system will link their accounts and the family can view information on both accounts on VistaShare which will provide a better user experience for parents.

Grant Hewitt also clarified that Kick Start is an outreach program which serves dual purposes. He explained that it has a great social purpose and if the studies are correct a child is seven times more likely to go to college and it also gives us with a great avenue to talk to families about saving for college. It is a great tool to get in the door and start a conversation.

Refocusing the conversation, Mr. Hewitt stated that the Treasurer's Office is asking for the authorization from the Board to spend up to \$166,900 on a \$200 incentive which would be paid into a participant's Kick Start account once a parent has claimed their child's Kick Start account and opened and linked their separate, personal 529 to the Kick Start account. This would only be for this upcoming Kindergarten class. This is not retroactive; this is a test or pilot.

Janet Murphy asked for clarification if the reclaiming of the proposal was still going forward.

Grant Hewitt stated that reclaiming the accounts was approved by the Board at its March 24, 2016 meeting. He stated that the question, at its core, is does the IFC have the authority to tell a Board what the policy is. The IFC did not vote on the policy, they voted on the appropriation. Mr. Hewitt stated that the Board has voted on a self-sustaining program and whether or not we choose to execute that in light of the IFC is another debate that we can have at the September meeting because we do not actually technically reclaim any accounts, under the plan, until the end of the 2019 school year.

Linda English commented that the Treasurer's Office has outlined three incentive options. She asked if the Board chooses to go forward with incentives for the \$166,900 at what level is the Board proposing?

Grant Hewitt stated the choice between the \$100, \$150 and \$200 and the only difference is if it's \$100 we can cover more first-come first-serve accounts versus if it's \$200. Stating that it should be noted that at the \$200 level we are going to get a return of folks opening accounts that is larger than the current percentage of folks who have Kick Start accounts today. So out of this cohort we would end up with over approximately 2% of folks claiming. We are at 1.6% today, so it would be a dramatic improvement to the program if they all took it.

Bob Seal motioned to authorize the approval of a \$200 incentive for the Kindergartners entering school in the 2016/2017 school year for the purposes of opening an account, not to exceed budgetary authority of a \$166,900. Ned Martin seconded the motion.

There was further discussion from Janet Murphy stating that she was really torn on the decision due to the fact that even though IFC is about fiscal, the Board is making a policy decision that is going to have a fiscal impact and the message that she got is that IFC wanted the fiscal impact to come back to the full Legislature during the next session. Her vote will be no on the motion.

Grant Hewitt clarified that there is no fiscal impact in the sense that the appropriation has been made for \$1.9 million. The cost to administer the program under its old policy would have cost less than the \$1.9 and we are merely seeking the authority to spend the difference that is authorized versus the old program. He reminded the Board that when it approved Kick Start to the rurals, the pilot program, it never went to IFC. It only went to IFC once the Board approved the expansion to the entire state which exceeded the Program's budgetary authority. So this is very similar in that the Board is making a decision regarding funds that have not been spent and it seemingly isn't any different than creating Kick Start on day one for the rural pilot. This Board has done fiscal activities that are fiscal in nature without IFC approval in the past. **All in favor of the motion with a roll call vote from Secretary English were Ned Martin, Bob Seale, and Chair Schwartz. Janet Murphy opposed. Motion passed.**

12. For possible action: Board review and approval of the Fiscal Year 2016 Prepaid Tuition actuarial assumptions.

13. For possible action: Board review and approval of the 2017 Nevada Prepaid Tuition Program pricing schedule.

Items #12 and #13 were presented together.

Sheila Salehian and Ken Alberts reviewed the actuarial assumptions. Ken stated at last month's meeting that the Board recommended that GRS model a lower price inflation and lower long term tuition increase assumptions for the two year colleges. The Board also request leaving the interest rate at 6% and the long term increase assumption for four year colleges at 5.75%. Ken explained that GRS took that direction and is coming back to the Board with two options for pricing based on differences in interest rate return assumptions and long term tuition increase assumptions. Ken Alberts also recommended maintaining a risk margin in the pricing. Ken further stated that GRS didn't take a hard stance on the magnitude of the risk margin but recommended that the State maintain the same methodology currently being used. Ken reviewed the two options: alternative #1 was to lower inflation to 2.5%, alternative #2 would lower inflation to 1.75%. Ken reviewed the interest rate and GRS assumes as a long-term investment earnings projection.

Chairman Schwartz wanted clarification on the two options that were being recommended.

Ken Alberts stated that outlined on page 166 of the PDF, alternative #1 has a price inflation of 2.5% and an interest rate of 6%, with a long term tuition increase of 5.75% and alternative #2 has a 1.75% price inflation, a 5% rate of return assumption, and a 4.75% long term tuition increase for 4 year colleges and a 4% long term increase assumption built in for 2 year colleges.

Bob Seale questioned if the Board chooses alternative #2 or alternative #1 does the Board have to stay with all of the assumptions within the alternative or can the board choose a few from each and develop a new option.

Ken Alberts stated that all of the variables in each option were set and could not be modified.

Chair Schwartz questioned what the reason for that was.

Ken Alberts answered that the alternatives outline the assumptions that the Board is adopting, and stated that they needed to be balanced to ensure consistency and fund viability throughout the life of the program.

Janet Murphy asked for clarification regarding alternative #2 and that it would be a more conservative rate of return.

Ken Alberts answered that was correct.

Chair Schwartz questioned when the changes will go into effect.

Sheila Salehian answered that the pricing goes into effect November 1, 2016, with open enrollment of the program.

Bob Seale motioned to approve alternative #2. Janet Murphy seconded the motion. Motion passed unanimously.

14. For possible action: Board review and approval of the 5-year plan and budget for the FY 18-19 biennium.

Staff presented the biennium budget proposal for FY18-19 that will be presented to the Legislature sometime in February or March 2017. It was explained that the Treasurer's office wanted to present a budget to the Board that made sense and would also show how our office builds budgets pursuant to what the Governor's office and Finance office look at. Explaining that when we build the budget we have to look at the base year (FY16) so we outlined, for the Board, enhancements above FY16 base amounts. When we present this to the Governor's Finance office it will be clear where the enhancements are coming from. Staff outlined the requested enhancements.

Grant Hewitt stated that because of the desire of IFC and the Board wanting to see metrics, one of the things that was outlined in the budget were metrics that will be looked at year-over-year. We feel the items that were identified which can be accurately tracked year-over-year are overall brand awareness, new account openings and the average age of our beneficiaries. We plan to track how many public events we attend and how many leads are generated from those events or through our online marketing so we can judge year-over-year. Tracking to see if we are getting good leads, bad leads or are there enough events being attended. These are the metrics by which we wish to judge success so this will help us talk to the Legislature when they ask us how we are tracking our budget. If the Board is comfortable with these tracking metrics we will go back and establish some benchmarks.

Janet Murphy showed concern that the Board would want to monitor the success and would like for the Treasurer's office to keep the Board up to date.

Grant Hewitt stated that there are items that can be tracked monthly and there are items that have to be tracked yearly so he will identify in September what the monthly tracks are versus the yearly.

Ned Martin asked staff to go over back over the 6 month reserve for the College Savings and Millennium Scholarship. He asked if it is an accumulative reserve and if we are building a cash balance. He wanted to know the purpose of the reserve.

Budd Milazzo stated the purpose of the reserve is to have enough funds available to make any payments that we make out of the endowment account. We see the majority of the funding in November or December so the beginning of each year we don't have funding available in order to make our payments. So what this does is at the end of the year when we finish FY16 we want to have at least 6 months' worth of reserves to start FY17 until we start receiving the funding from Ascensus. It's not cumulative but it's how much money we want to end one fiscal year and start the next fiscal year until we start receiving funds.

Janet Murphy questioned why we only need \$100,000 in FY19 and asked that by the reclaiming the Kick Start program would fund itself.

Budd Millazzo explained that once the Kick Start money starts being reclaimed, we'll need less reserve because we will have less actual expenditures and the program will become self-sufficient starting FY19.

Janet Murphy questioned if the the College Saving Trust Account pays the administration for the Millennium Scholarship and have we ever considered using some of the college savings trust account to help with the Millennium Scholarship program instead of it coming from unclaimed property.

Grant Hewitt answered that to swap out the dollars, no. That discussion has not occurred. However, current estimates show that the Millennium trust fund will be in the red for FY18. We had projected at the last session that we would be in the red in FY19. So the amount of money that could come from the endowment fund isn't enough to cover the negative amount. It needs a permanent funding source that the Legislature is going to have to address.

Ned Martin asked if the Board has a fiduciary responsibility to the Millennium Scholarship.

Grant Hewitt replied that the Board has an administrative responsibility but not a fiduciary responsibility to the Millennium Scholarship.

Shane Chesney asked Tara Hagan to put this as an information item at the next meeting.

Bob Seale motioned to approve the FY18-19 five year budget plan. Ned Martin seconded the motion. Motion passed unanimously.

15. Public Comment

No public comment in Carson City, NV; no public comment in Las Vegas, NV; and no public comment on conference call.

Meeting adjourned at 11:51am.

Attest:



Linda English, Secretary to the Board