

THE BOARD OF TRUSTEES OF
THE COLLEGE SAVINGS PLANS OF NEVADA
MINUTES OF BOARD MEETING
March 22, 2018

Vice Chair Jeff Haag 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 22, 2018. The meeting was held by video conference from the Nevada Capitol Building, 101 N. Carson Street, 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 Bob Seale – Excused
Vice Chair Jeff Haag – Carson City
Susan Brown – Carson City
Stephanie Shepard – Carson City
Ned Martin – Excused
Grant Hewitt – Las Vegas, Ex-Officio Non-Voting Board Member

Others present:

Tara Hagan, Chief Deputy Treasurer
Holly Shrum, Treasurer's Office – North
Beth Ann Yeats, Senior Deputy Treasurer - South
Sheila Salehian, Deputy Treasurer - South
Ardie Hollingsworth, Ascensus
Khalel Pritchard, Ascensus
Sue Hopkins, Ascensus
Lisa Connor, Ascensus
George Makras, Ascensus
Megan Bedera, Amplify Relations
Trinda Freese, Amplify Relations
Tom Hewitt, Vanguard
Eric White, PCA
Judy Minsk, Putnam
Brendan Murray, Putnam
Rosemary Calderon, State Street Global Advisors

Roll was taken, and it was determined a quorum was present. Ms. Hagan 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, Carson City. Nancy Brown with Opportunity Alliance Nevada, called in via telephone, asked how they would go about getting an Attorney General opinion regarding the AB475 (NAC353) Workshop Meeting and when the program will become effective.

Consent Agenda

2. **For possible action:** Board review and approval of the minutes of the College Savings Board of Trustees meeting of February 22, 2018.

Stephanie Shepard motioned to approve Agenda Item #2 of the Consent Agenda. Susan Brown seconded the motion. Motion passed unanimously.

3. **For possible action:** Board review and approval of the Ascensus program manager's report encompassing results for Vanguard, USAA, SSGA Upromise 529 and Wealthfront 529 plans for the quarter ended December 31, 2017.
4. **For possible action:** Board review and approval of the Putnam 529 for America program manager's report for the quarter ended December 31, 2017.
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, 2017.
6. **For possible action:** Board review and approval of the education and outreach expenditure report for the SSGA Upromise 529 Plan for the quarter ended December 31, 2017 to be recorded as non-cash revenue in the State's accounting system.
7. **For possible action:** Board review and approval of the Nevada Prepaid Tuition Program activity report for quarter ended December 31, 2017.

No questions or comments from Board Members.

Susan Brown motioned to approve the Consent Agenda Items #2 through #7. Stephanie Shepard seconded the motion. Motion passed unanimously.

Discussion Agenda

8. **For possible action:** Board review and approval of amendments to Nevada Administrative Code 353B based upon comments received at regulation workshop meetings. (Staff)

Tara Hagan provided an update to the Board regarding the status of the draft regulations for AB475. She noted that it's staff's opinion that before the Board seek an official Attorney General opinion that the best course of action should be to wait to hear from the Legal Division of the Legislative Council Bureau regarding the legislative intent of AB475 as it relates to reclaiming accounts prior to the passage of AB475. Ms. Hagan noted that as a result of the feedback from the public at the public workshops, the regulations have been amended to expand the communication methods listed in the regulations to include other avenues of communication such as email and social media.

Stephanie Shepard motioned to approve the Agenda Item #8. Susan Brown seconded the motion. Motion passed unanimously.

9. **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, 2017. (Eric White, PCA.)

Eric White and Sean Copus presented to the Board the Prepaid Tuition Investment Report for the quarter ending December 31, 2017. Mr. Copus stated the assets under management for the plan are \$269.6 million equaling a \$7.6 million increase from the end of the third quarter and a \$33.1 million increase over the entire calendar year. Mr. Copus explained the 5-year risk/return chart stating that the portfolio is right in line as far as the portfolio's performance and risk versus the benchmark. Mr. Copus stated that the covered calls asset class underperformed for the quarter explaining that it is a very conservative covered calls philosophy. Mr. Copus reviewed the other manager's performance including Vanguard and Chicago Equity Partners.

No questions or comments from Board Members.

Susan Brown motioned to approve the Agenda Item #9. Stephanie Shepard seconded the motion. Motion passed unanimously.

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 ending December 31, 2017. (Eric White, PCA.)

Eric White with PCA presented the Investment Monitoring Report of the Nevada 529 College Savings Plans to the Board and focused on the Watch Report. Mr. White stated that overall the funds have seen really good results and PCA is recommending a number of funds be removed from watch status. Mr. White reviewed the USAA funds and explained that they have monitored the funds and have seen good performance. He noted that the primary reason for the majority of funds being placed on the watch list is due to the substantial personnel change which was announced around one-year ago. Mr. White noted that there aren't any lingering concerns over the personnel changes and stated that PCA is recommending these funds be removed from watch status. Mr. White stated that PCA is also recommending the USAA Precious Metals & Minerals fund be removed from the watch list, as performance has improved. He noted that this in turn will leave only two funds on watch status, the USAA Income Stock and the USAA Small Cap fund, making it a very good report overall.

Stephanie Shepard questioned what the rationale was for placing the funds on the watch status and what changes were made or results noted that then caused the funds to be removed.

Eric White stated PCA recommended the funds be placed on watch status because the personnel changes were significant and material. The long tenured manager who oversaw the fixed income division left the firm which resulted in a concern that the philosophy and process may change without the continuity of the prior lead manager. Mr. White noted that PCA monitored the performance, philosophy and process of the new management team to ensure continuity in the process for these funds.

Vice Chair Jeff Haag asked why PCA is recommending the Income Stock and Small Cap fund remain on Watch Status.

Eric White stated it was mainly because they remain below the criteria set forth in the Monitoring and Guidelines Policy and there is nothing inherently concerning about their performance.

Stephanie Shepard motioned to approve the Agenda Item #10. Susan Brown seconded the motion. Motion passed unanimously.

11. **For possible action:** Board review and approval of Putnam annual investment presentation which will include investment changes for Putnam 529 for America.
 - a. Putnam Absolute Return 500 Fund to merge into the Putnam Absolute Return 700 Fund and Absolute Return 700 and rename the resulting fund the Putnam Multi-Asset Absolute Return Fund within Putnam 529

- b. Putnam Absolute Return 300 Fund will be renamed the Putnam Fixed Income Absolute Return fund within Putnam 529.
- c. Putnam Absolute Return 100 Fund will be renamed the Putnam Short Duration Bond Fund within Putnam 529.
- d. Putnam will close the B share class to new investment and future contributions for all funds within Putnam 529.
- e. Putnam will automatically convert C share class to A shares after seven (7) years.
- f. Putnam will eliminate the administrative fee on the 529 Government Money Market fund.

Judy Minsk and Brendan Murray with Putnam Investments presented to the Board their annual investment review for the Putnam 529 for America plan. Mr. Murray reviewed the performance through calendar year 2017 and stated that it was a solid year for the majority of markets and the first time since the financial crisis that they saw synchronized growth. Mr. Murray stated that it was the best performance for emerging markets since 2009, and in general, it was the best since 2013 for equity markets. Mr. Murray noted that the Federal Reserve began raising rates in December 2016 and increased the rate three more times in 2017. Mr. Murray reviewed the equity market returns of the underlying funds in the 529 plan for the year and stated that all major equity indices were positive for the year. Mr. Murray explained the potential impact of the market risks in both the short-term and long-term and noted that the short-term would likely have a negative price impact for risky assets and that in the long term it would be hard to expect strong performance from government bonds. Mr. Murray reviewed the glide path stating that Putnam's glide path for age based strategies is positioned to do two things 1) give greater appreciation in early years for a new saver and give them more equity to build their balance; and 2) provide complete in-house management which allows the allocation managers comprehensive control. Ms. Minsk reviewed the recommendations for fund, fee and share class changes stating they have worked with Staff and PCA to devise the best solution for participants of the 529 for America Investment option as well as the absolute return fund options for clients.

Vice Chair Jeff Haag asked how plan participants will be notified of the changes to the funds.

Judy Minsk stated there is a timeline for the execution of the changes in the presentation and there is a notification rule that as soon as the Board approves the changes they will send the communication to plan participants, their broker dealer firms and advisors.

Vice Chair Jeff Haag asked if a plan participant doesn't agree to the changes will they have options to transfer the funds into something different.

Judy Minsk stated that they will have options and that is why they provide participants with a 30-day notification to ensure participants can understand the changes and work with their advisor if the change is not right for them.

Eric White with PCA reviewed the Putnam 529 for America Plan fund changes to the Board. He noted that the following changes are being recommended by Putnam and that PCA is in agreement with the modified changes after discussions with Putnam and staff.

- a. Participants in the Putnam Absolute Return 500 Fund will have 50% of their assets transferred into the renamed Putnam Multi-Asset Absolute Return Fund and 50% into the renamed Putnam Fixed Income Absolute Return fund.
- c. Participants in the Putnam Absolute Return 100 Fund will be transferred into the Putnam Governmental Money Market fund.
- d. Putnam will close the B share class to new investment and future contributions for all funds within Putnam 529.
- e. Putnam will automatically convert C share class to A shares after seven (7) years.
- f. Putnam will eliminate the administrative fee on the 529 Government Money Market fund.

He stated that the only other item which needs input from the Board is the benchmark for the new absolute return funds. Explaining that with the new revamp and changing some strategies they looked back at the appropriateness of the benchmarks and are recommending a slight change to the benchmarks in their monitoring procedures. Putnam recommends using T-bills for all the absolute return funds but PCA has an issue explaining that if you have the same benchmark for two funds that are taking different risk profiles, there isn't a way of discerning if one fund is doing well vs. another. Mr. White stated they are recommending the benchmark be changed to 3 month Treasuries plus 2.00% for the Fixed Income Absolute Return 300 fund as well as the recommendation to the 3 month Treasuries plus 4% for the Multi-Asset Absolute Return 700 fund.

Susan Brown motioned to approve the two changes that PCA and Putnam are recommending regarding the renamed Absolute Return Funds in

Agenda Item #11. Stephanie Shepard seconded the motion. Motion passed unanimously.

12. **For possible action:** Board review and approve of amendments to the Monitoring Guidelines and Criteria in the 529 College Savings Plans Investment Policy Statement as a result of the Putnam investment changes recommendations.

Tara Hagan reviewed the amendments to the Monitoring Guidelines and Criteria in the 529 College Savings Plans Investment Policy consistent with Mr. White's prior testimony. She noted that pursuant to the policy, the Board needs to review and approve it every two years and because the benchmark is being changed for the Legacy 300 and 700 funds, we are adding that to the guidelines. Staff also took the opportunity to make changes to the investment policy to reflect the changes due to the passage of AB475.

No questions or comments from Board Members.

Susan Brown motioned to approve the Agenda Item #12. Stephanie Shepard seconded the motion. Motion passed unanimously.

Informational Agenda Items

13. Board to receive an update on "Let's Go to College! Nevada Saves" from Amplify Relations.

Grant Hewitt presented an update on Let's Go to College! He noted that this is the first fiscal year the plan has had with a reduced budget. Mr. Hewitt reviewed the campaign metrics and the new account openings with SSGA in FY17 and FY18. Mr. Hewitt explained some of the public relations work that Amplify provided on behalf of the College Savings Board. He noted that they obtained two placements in multiple papers and they continue to focus on outreach events. Mr. Hewitt reviewed the web traffic numbers and stated that web traffic numbers are up because we drive almost everything we do to our website.

No questions or comments from Board Members.

14. Staff notes.

No update.

15. Public Comment. There was no public comment in Las Vegas, Carson City or telephone.

Meeting was adjourned at 11:20 a.m.

Attest:



Tara Hagan, Secretary to the Board