

THE BOARD OF TRUSTEES OF
THE COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING
July 19, 2018

Chairman Jeff Haag called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 10:02 a.m., on Thursday, July 19, 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 Jeff Haag – Carson City
Vice Chair Stephanie Shepherd – Las Vegas
Susan Brown – Carson City
Ned Martin – Las Vegas
Bob Seale – Carson City
Grant Hewitt – Las Vegas Ex-Officio Non-Voting Board Member

Others present:

Tara Hagan, Chief Deputy Treasurer
Beth Yeatts, Senior Deputy Treasurer – South
Sheila Salehian, Deputy Treasurer – South
Wayne Howle, Attorney General
Ken Albert, Gabriel Roeder Smith (GRS)
Michelle Jackson, Junior Achievement of Southern Nevada (JASN)

Roll was taken, and it was determined a quorum was present. Beth Yeatts 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.

AGENDA

Public Comment

Bob Seale announced that this meeting would be Member Ned Martin's last meeting. Mr. Seale thanked Member Martin for his time and service and stated that his membership to the Board has been invaluable.

Bob Seale commented that he has been investigating Wealthfront in regards to who it is as a company and has noticed that from the time it initially started until now, there has been a tremendous amount of turnover with their executive staff which is somewhat bothersome. Mr. Seale stated that Wealthfront had a relationship with Jim Fadule who was involved with some of our activity that proved problematic a number of years ago and he feels that the Board should have known about the relationship with Wealthfront. Mr. Seale suggested that Wealthfront is on the agenda for the next meeting to discuss these issues.

Tara Hagan stated that Wealthfront will be on the agenda at the next meeting and that Staff will work with Wealthfront to ensure the team is able to address the Board's concerns.

Jeff Haag requested that Staff have a conversation with Wealthfront ahead of the next meeting so they have time to thoroughly prepare for the meeting.

No other public comment in Carson City or Las Vegas or via telephone.

Consent Agenda

1. **For possible action:** Board review and approval of the minutes of the College Savings Board of Trustees meeting of June 21, 2018.
2. **For possible action:** Board review and approval of Staff Notes.
3. **For possible action:** Board review and approval of the College Savings Board follow up items as identified at the June 21, 2018 meeting.

Bob Seale motioned to approve the Consent Agenda Item's #1, #2, and #3. Vice Chair Shepherd seconded the motion. Motion passed unanimously.

Discussion Agenda

4. **For possible action:** Board review and approval of the 2019 Prepaid Tuition Program pricing schedule and enrollment period. This item will include a discussion on possible program marketing incentives for 2020.

Ken Alberts presented the recommended pricing for the 2019 contract pricing, discussed the methodology of the pricing proposals for the Board's consideration and shared marketing ideas the Board may consider in the future years from an actuarial perspective. Mr. Alberts explained that when they run the cost numbers from one year to the next, if there are no changes in assumptions or the program and everything happens exactly as they had expected, then the cost is expected to grow at the long-term growth rate which is about 4%. Mr. Alberts noted that the growth rate was less than 4% this year due to 1) tuition rates not rising as much as expected and 2) a review of the Board's policy guidelines which noted that since the plan is over 120% funded, the risk premiums will be removed. He stated that the program this year didn't have enough to remove the explicit risk premium but rather needed to look at the implicit risk premium which is spot rate rather than the valuation assumption. He noted that the implicit risk premium was removed from both the 2-year and the 4-year rates. Mr. Alberts reviewed the various pricing amounts for both the 2-year and 4-year contracts.

Vice Chair Shepherd asked what the rationale is for utilizing a spot rate when looking to the future rather than a forward rate. She questioned how the use of one versus the other may impact the pricing model.

Ken Alberts stated that the math is easier as a spot rate than a forward rate and it's just a matter of doing the math a little bit differently. Mr. Alberts explained that if they left the spot rates in place and converted them to forward rates they'd be looking at a 3% to 4% increase in the 4-Year University pricing year over year.

Mr. Alberts moved to the four different marketing incentives discussions for next year's pricing: 1) delay adopting increases in contract pricing beyond the November 1st opening of the new enrollment period; 2) adopt half of the increases in contract on November 1st and the additional half of the increases at a later date; 3) offer a bonus to new contract purchases where the Prepaid Trust Fund will deposit an amount of money (such as \$100) in a separate college savings 529 account on behalf of the purchaser; 4) increases flexibility offered by the Program, such as a 'pay as you go' contract plan which would allow contract holders to purchase credits individually on an annual basis rather than choosing between the 1, 2, and 4 year contracts.

Bob Seale asked if there would be an accounting problem with the pay-as-you-go marketing incentive.

Sheila Salehian stated that she likes the idea but it would require both statutory and system changes and based upon the current system it would be a little difficult from a tracking, reporting, and administrative perspective, although there is some flexibility in the system today.

Bob Seale asked if a bonus of \$50 or \$100 would be enough money as an incentive to open a separate College Savings Fund account.

Ken Alberts stated that he did not know if the amount of the incentive is enough money but rather he looked at it from an actuarial standpoint in regards to cost. He noted that if the Board delayed an increase from this year's pricing it would have cost the system \$100 or so. He explained that the idea was to create an incentive that was similarly priced that wouldn't cause a hardship to the fund.

Grant Hewitt stated that it is important for the Board to realize that Staff is seeking to get a sense of where the Board's interest levels are on some of the marketing incentive ideas so that Staff can better vet any of the statutory changes and/or system enhancements that may be required. He noted that the idea is to vet these over the next year and implement an incentive for the November open enrollment period in 2019.

Bob Seale stated that he liked both the college savings bonus incentive and pay-as-you-go incentive as long as they don't create accounting issues.

Jeff Haag stated he is in agreement with the premise of developing incentives to drive enrollment.

Jeff Haag asked if the average increase in rates from one year to the next is \$100.

Ken Alberts stated that it would probably be a little more than \$100 on a 4-year plan but if it's a 1-year or 2-year plan it will be dramatically less.

Jeff Haag questioned that in strategizing around incentive programs, understanding we're 12% above our goal of 120% funded, he doesn't know if the Board should be looking to spend that 12% but rather look for an incentive program that allows us to incentivize growth in the program while not eroding the 132% but potentially growing it beyond the 132%.

Ken Alberts stated that he doesn't think it's a good idea to grow the 132% funded status to something larger. He noted that it's important to be targeting something greater than 100% because it's what is needed to pay all the benefits that are due to all the participants. He stated that because assumptions are never perfect it's important to have a margin and once the Board has settled on that margin he doesn't think the Board should go above that because it looks like we are over charging the participants and collecting money never intended to be spent and that is problematic.

Bob Seale agreed with Ken Alberts and suggested for an incentive to use funds from the endowment account rather than the Prepaid Tuition trust fund.

Grant Hewitt advised that the Board look at the use of the Endowment fund carefully to determine if the incentive would be considered a marketing cost which would fall under the 3% cap created by AB475.

Grant Hewitt stated that it is important that the Board set a limit, such as the first 500 customers who purchase, and design a program that protects the fund balance and work through how many accounts can be offered each year to stay comfortable. The college saving incentive option reminds families who purchase a Prepaid plan that they are not covering everything, this is a partnership where they use the Prepaid contract for tuition and the 529 for other expenses. He noted that this would allow for a conversation with the purchaser on why the 529 is also necessary from a savings standpoint.

Ned Martin stated that if the Board is concerned about an increase or concerned about costs continuing to go up, if we have the cushion, recommended to keep the rate flat.

Jeff Haag stated that is a good starting point and the Board would like to see keeping rates flat added to the suggested incentives and would like Staff to do some further analysis and come back to the Board with an idea of which incentive is the best moving forward.

Ned Martin motioned to approve Enrollment dates to be November 1, 2018 through March 31, 2019 for 2019 and the recommended Contract Pricing for 2019 on Agenda Item #4. Bob Seale seconded the motion. Motion passed unanimously.

Informational Items

- 5. For possible action:** Board to receive the 2020-2021 Biennium Budget for Budget Accounts 1081, 1092, and 1088 which pursuant to NRS 353B.350 will be submitted to the Governor by the State Treasurer.

Grant Hewitt presented to the Board the Treasurer's recommended budget enhancements for the College Savings budgets which include budget accounts 1092, 1088, and 1081 and provided the Board with the enhancement unit recommendations for the next biennium as outlined in the meeting materials. He explained that under budget account 1092, the Treasurer is requesting an enhancement for an employee (Full-time Equivalent) for the College Savings Program that will be based in Carson City, NV. He noted that with the decrease in marketing dollars created by AB475, there is an increase need for staff to be able to attend more free events because we're unable to purchase the same amount of

paid media and media opportunities. We've had trouble maintaining a level of event coverage because our sponsorship dollars are down with the budget reductions. Mr. Hewitt stated that there will be an enhancement of \$1,406 to restore the budget back up to base amount for in-state travel. Mr. Hewitt reviewed each budget category including College Kick Start (CKS) funding with an enhancement of \$65,300 to fund \$50 per the estimated number of Kindergartners in school year 20/21; Financial Literacy with an enhancement of \$6,660 to increase to \$150,000 to support financial literacy outreach efforts; CKS administration costs with an enhancement of \$150,000 to support mailing and outreach to parents; and the Libera Contract with an enhancement of \$112,011 to add enhancements and upgrades to the Prepaid Tuition Database.

Jeff Haag asked the Deputy Attorney General if the Board has responsibility to approve budget initiatives for this plan.

Wayne Howell stated that he didn't know the answer but would research and get back to the Board.

Tara Hagan explained that under NRS 353B.350, the State Treasurer that has the authority over the budget accounts. She added that with the passage of AB475 it has made the process a little difficult because the State Treasurer doesn't have a vote on the Board but explained that statutorily it is clear that the endowment and all the administrative budget accounts associated with College Savings are under the purview of the State Treasurer.

6. **For possible action:** Board to receive an update on the FY18 Financial Literacy initiatives relating to sponsorship of Finance Park, Andson Piggy Bank Program and Financial Literacy Educator Summits.

Sheila Salehian and representatives presented to the Board a summary of three of the eight financial literacy initiatives that were approved by the Board last fiscal year.

Michelle Jackson from Junior Achievement Finance Park gave a brief update on the program stating that this past spring was the fifth year that they've had the program in Southern Nevada. She noted that it is a national program that focuses on financial literacy and teaching students in grades 8 – 12 how to manage their money. She stated that the program helps give students an idea of what they can expect growing in regards to budgeting. She noted that 4,500 students participated this year which was 19% higher than the prior year. Staff also included college savings awareness by meeting with students and volunteers one-on-one for education about college savings programs.

Anthony McTaggart from Andson provided the Board a summary of the initiative of providing financial programs to the rural areas of Nevada. The program was implemented at two Nevada rural schools which include Pioche Elementary School and Pahrnagat Elementary School. Andson trained educators to deliver in-class video-based lessons and presentations, teaching students basic personal finance, budgeting, and economics. He explained that Andson's curriculum is based on the standards established by the JumpStart Coalition and covers 100% of state mandated requirements. He stated that Andson focuses on parental engagement with student homework involving communication at home about family financial circumstances. He noted that the program this year had a 65% engagement rate meaning these students took the work home to work through as a family regarding budgeting and other financial lessons.

Vice Chair Shepherd inquired if Nevada System of Higher Education (NSHE) staff was part of these discussions with staff and Andson in the rural areas regarding the types of programs offered by the Board and staff at college savings nights.

Mr. Taggart noted that is a great question. He noted that they do this type of collaboration in the Clark County area and noted the desire to continue the conversation to expand this to the rural areas.

Justin Gardner from Innovative Research and Analysis presented the Board with an overview of the two SB249 Financial Literacy Summits held in May. He noted that based on the pre and post-testing that was completed in regards to the summits, it was shown that there were a large number of participants who did not have any knowledge of the programs available, especially for college savings, from 3rd grade through 8th grade teachers. He noted that the summits were successful in providing teachers with additional resources which they were unaware existed, such as the financial literacy curriculum, content and college savings information. The summits were very well received and the participants were very excited to learn about curriculum materials; in addition, they noted the desire to have additional resources, such as being connected to non-profit service providers, having lesson plans and curriculum materials from the State Treasurer's office about programs that are available for college savings to be able to share with parents. It was learned that if we engage the teachers, there is then an impact on all their students. Mr. Gardner stated that there was very low awareness of the programs and less than 25% to 30% knew about college savings program and the summits served to greatly increase awareness. There was interest from the participants to expand on the resources and distribution of resources going forward. He noted that face-to-face interaction with someone they can talk to and follow up with to get more information was a critical finding. In large, they impacted a lot of teachers and they saw a substantial change in awareness of programs and an immense amount of interest for additional initiatives, especially ongoing summits, a web-site of resources and on-line training opportunities.

No questions or comments from Board members.

7. For possible action: Board to receive the FY19 Financial Literacy plan.

Grant Hewitt presented the FY19 Financial Literacy plan to the Board explaining that for FY19 Staff will build on some of the feedback that came from teachers at the summit. He noted that staff learned there is a large gap in terms of what resources are out there and available by other non-profits in the marketplace for financial literacy. Therefore, staff will strive in FY19 to put together a financial literacy coalition to create a clearinghouse of all the various programs that are available while providing those non-profits with the ability to collect data through pre- and post-testing.

Stephanie Shepard asked if we go forward with the clearinghouse idea, what is the timeframe and how long will it take to build out.

Grant Hewitt stated that Staff is looking at having the clearinghouse data completed late in the second quarter or in the early third quarter of the current fiscal year. He noted that the goal is to complete an informal solicitation during the first quarter to enable staff to enter into contract with a vendor that can assist in spearheading the coalition and target the first meeting with the coalition in the second quarter.

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

Meeting was adjourned at 11:30 a.m.