

THE BOARD OF TRUSTEES OF
THE COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING
September 19, 2018

Chairman Jeff Haag called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 10:03 a.m., on Wednesday, September 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 – Carson City
Susan Brown – Carson City
Bob Seale – Carson City
Andrew Martin – Las Vegas
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
Sue Hopkins, Ascensus
Ardie Hollingsworth, Ascensus
Megan Bedera, Amplify Relations
Trinda Freese, Amplify Relations
George DuCasse, Ascensus
Ashley Johnson, Wealthfront
Julius Leiman-Carbia, Wealthfront
Jakub Jurek, Wealthfront

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

No public comment in Carson City, Las Vegas or telephone.

Consent Agenda

2. **For possible action:** Board review and approval of the minutes of the College Savings Board of Trustees meeting of July 19, 2018.
3. **For possible action:** Board review and approval of the College Savings Board follow-up items, including USAA to follow up on request for Nevada demographic data and Prepaid Tuition Staff to provide information regarding deferred benefits, as identified at the June 21, 2018 and July 19, 2018 meetings.
4. **For possible action:** Board review and approval of Staff Notes.
5. **For possible action:** Board review and approval of the Ascensus program manager's report encompassing results for Vanguard, USAA, SSgA Upromise and Wealthfront 529 plans for the quarter ended June 30, 2018.
6. **For possible action:** Board review and approval of the Putnam 529 for America program manager's report for the quarter ended June 30, 2018.
7. **For possible action:** Board review and approval of the Nevada Prepaid Tuition Program activity report for the quarter ended June 30, 2018.
8. **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 June 30, 2018.
9. **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, 2018 to be recorded as non-cash revenue in the State's accounting system.

Susan Brown motioned to approve the Consent Agenda Item #'s 2 – 9 with no changes or discussion. Stephanie Shepherd seconded the motion. Motion passed unanimously.

Discussion Agenda

- 10. For possible action:** Board review and approval of the 2018 Nevada Prepaid Tuition Program Description and Master Agreement.

Sheila Salehian presented to the Board that according to NRS 353B.100 the Board is required to create a prepaid tuition contract and highlighted the Nevada Prepaid Tuition Plan Master Agreement which includes the recommended changes from outside legal counsel in the 2019 Program Description. Ms. Salehian stated that the enhancements passed in the 2017 Legislative Session are also included in the agreement.

No questions or comments from Board members.

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

- 11. For possible action:** Board review and approval of the 2018 Nevada Prepaid Tuition Program fee schedule.

Sheila Salehian presented to the Board the Fee Schedule for the 2018-2019 Prepaid Program and stated that the Master Agreement will be updated accordingly. Ms. Salehian stated that Staff is recommending the fees remain the same as the prior year.

No questions or comments from Board members.

Susan Brown motioned to approve Agenda Item #11. Andrew Martin seconded the motion. Motion passed unanimously.

- 12. For possible action:** Board review and approval of the Nevada Prepaid Tuition Investment Monitoring Report prepared by Pension Consulting Alliance for the quarter ending June 30, 2018.

Sean Copus with PCA presented the Nevada Prepaid Tuition Investment Monitoring Report for the quarter ending June 30, 2018. Mr. Copus explained the recent investment performance stating that the portfolio outperformed its policy benchmark over the most recent quarter by 28 basis points. Mr. Copus reviewed

the performance and market values as of June 30, 2018 including investment performance and portfolio valuation and stated that they saw quality returns from the active managers.

Stephanie Shepherd questioned, with regards to the portfolio and allocation, if there is anything the Board or Staff should look at since we are looking at moving into a market of uncertainty.

Mr. Copus stated that it might be worth revisiting but can't make any official statements.

Tara Hagan commented that domestic equity is the only equity asset class which is allowed pursuant to statute today.

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

- 13. For possible action:** Board review and approval of the Nevada 529 College Savings Plans Investment Monitoring Report prepared by Pension Consulting Alliance for the quarter ending June 30, 2018.

Sean Copus with PCA presented to the Board the Nevada 529 College Savings Plans Investment Monitoring Report ending June 30, 2018 and stated there have been no real changes in any of the major programs. There are two funds on the Watch List, USAA Income Stock and USAA Small Cap Stock, and both funds are trending upwards and they are moving in the right direction.

Stephanie Shepherd asked how long the stocks stay on watch and what is the next phase.

Sean Copus explained that in his opinion they need to stay on watch for now but if they see two or three additional quarters of downturn where it's still underperforming then we will need to have a further discussion.

Bob Seale motioned to approve Agenda Item #13. Stephanie Shepherd seconded the motion. Motion passed unanimously.

- 14. For possible action:** Wealthfront to address Board members' questions and concerns as requested at the July 19, 2018 meeting, such as the role of Jim Fadule at the firm and executive level turnover.

Ashley Johnson with Wealthfront and her team received questions from the Board as requested at the July 19, 2018 meeting regarding the role of Jim Fadule at the firm and the executive level turnover.

Bob Seale stated that at the time the Board hired Wealthfront he was not aware of the relationship with Mr. Fadule and that it was a significant piece of information which should have been given to the Board, due to the past relationship of Mr. Fadule with the Board. Mr. Seale asked why that information was not disclosed to the Board at the time.

Grant Hewitt stated that for the record Wealthfront did disclose to Staff that Mr. Fadule was involved as a consultant during the initial conversations between, the State, Ascensus and Wealthfront but Staff was unaware of the past and the significance Mr. Fadule had to the College Savings Board. Staff did not bring that information to the Board; it is inappropriate to say that Wealthfront did not disclose the information.

Ms. Johnson explained that Mr. Fadule was hired a consultant solely based on his expertise and number of years working in this field. Wealthfront was relatively new and had sought somebody with experience that could advise them on constructing a 529 plan and building a partnership with Ascensus. She further explained Mr. Fadule's consulting services were relied on heavily in the early days but currently he is on a very small retainer and is used only for questions specifically related to the plan. Ms. Johnson explained that as time has gone by the relationship has continued to diminish.

Mr. Seale asked if Ms. Johnson if Wealthfront was aware of Mr. Fadule's relationship with the State of Nevada and the difficulties that arose.

Ms. Johnson stated that she personally was not aware and was not directly involved with the relationship when Wealthfront initiated the contract with the State of Nevada and could not speak on behalf of her former colleague who led the initiative back in 2015.

Mr. Seale asked if there was any way, through Ascensus, that the Board could get a closer look at Wealthfront's financial condition or have more transparency.

Ms. Johnson explained that the parent company is privately held so they do not publish financials but that Wealthfront is audited by Ernest & Young and is regulated by both the Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA). Wealthfront has a broker dealer subsidiary which reports financials monthly, publishes a balance sheet semi-annually and audited financials annually. Ms. Johnson stated that Wealthfront has very strong financial controls and is required to make a public statement as to whether or not there are going to be any concern issues.

Mr. Seale asked if Ms. Johnson could speak to the Board about why Wealthfront has been in the press regarding a high turnover with their executives.

Ms. Johnson explained that when the current Chief Executive Officer (CEO) in 2016 parted ways, former executive chairman, Andy Rachleff, decided to come back as and Dan Carol, Chief Strategy Officer has been with the company for over eight years. Ms. Johnson stated she has been with the company since June 2015. She said that Wealthfront had relatively low turnover in many of the senior most positions but at times, in other positions, transition made sense because of the needs of the firm.

Mr. Seale asked if Staff, having a deeper relationship with Wealthfront, could speak to the Board on this matter.

Grant Hewitt explained that Staff continues to see growth with Wealthfront regarding growth in assets and happy customers. Mr. Hewitt explained that there is full financial transparency and open, honest dialog with both Wealthfront and Ascensus. Staff remains confident and committed to the relationship.

Tara Hagan stated that Staff makes sure there is due diligence with all partnerships and vetting what needs to be vetted. If Staff, at any point, has concerns with any partner it would be brought to the Boards attention.

No motion needed on Agenda Item #14.

15. For possible action: Board review and approval of the annual investment presentation for Wealthfront.

Staff from Wealthfront presented to the Board its annual investment review for its 529 College Savings Plan stating that the plan consists of nine designated investment portfolios which are utilized as Municipal Fund Securities. Technology enables Wealthfront to deliver a high degree of personalization with the 20 plans offered, allowing them to tailor the level of risk to the particular circumstances. In order to deliver this degree of personalization, they utilize the designated portfolios. The goal is to use technology to provide more variety and better tailor the plans to meet their client's needs. Staff from Wealthfront presented the different plan expenses, glide paths, glide path returns, strategic view and projected returns for all designated portfolios, exchange traded funds (ETFs) selection criteria, asset allocation framework, and performance reviews. They spoke to the fact that they try to work with their clients to equip them with the financial tools they need that will help them understand their financial health.

Bob Seale asked how a millennial chooses a specific glide path.

Wealthfront staff explained that when a client signs up they go through an online risk assessment and risk questionnaire.

Staff asked for clarification on if they had 24 portfolios or 20.

Wealthfront Staff stated there are 20 distinct glide paths and they transition across 24 intermediate asset allocations.

Chair Haag asked for clarification to the recent changes to the 529 fund laws that allow savings for K-12.

Wealthfront staff explained that they have been following this closely but have not yet implemented any changes in their investment program. It is something that is on their radar but they don't yet have it in their investment suite of options.

Grant Hewitt asked if Wealthfront is wanting to explore the K-12 opportunity.

Wealthfront Staff stated that they currently tell their clients that their product is not geared towards pre-college.

Vice Chair Shepherd asked what the average monthly deposit is for Nevada participants.

Ashley Johnson stated the average amount is \$374.

Vice Chair Shepherd asked how many employees on their financial team help the engineers build the proper algorithms for the software they use.

Wealthfront Staff stated their research team is comprised of ten people and have two separate subsets that they divide into quantitative research and data science. They build a mathematical modeling and then once a product is launched they see how clients interact with it and that is when the data/science team comes in. They can consume the data to see what the clients are doing and what kind of behavioral modification should be engaged in to achieve a better outcome.

Andrew Martin asked if there is any oversight when the accounts exceed a certain amount and is there a human advisor that a client can make contact with.

Ms. Johnson stated there is not a dollar amount threshold for human intervention because their clients choose Wealthfront because of the fact that they are automated, but clients can call customer service at any time. The average account size is ~\$50,000.

Andrew Martin asked if their customer support team has financial licenses.

Ms. Johnson stated that all their customer support team have financial licenses.

Susan Brown motioned to approve Agenda Item #15. Stephanie Shepherd seconded the motion. Motion passed unanimously.

- 16. For possible action:** Board Deputy Attorney General to address questions posed by Staff regarding the delineation of duties of the State Treasurer and the College Savings Board of Trustees.

Chief Deputy Attorney General Wayne Howle addressed the Board's question regarding the role of the Board in regards to approving the budget. He clarified that this was not the Attorney General's opinion, but it is his opinion as counsel to the Board. Mr. Howle's understanding of the prior practice was that the Treasurer would submit his budget for the Board's approval. As he has reviewed the statutes and tried to understand them, his opinion is that it was a courtesy and not a necessity to obtain the Board's approval of the budget. Mr. Howle stated the State Treasurer is not statutorily required to seek the voting approval of the Board related to the various budget accounts associated with the College Savings' programs.

Bob Seale stated that from the beginning it was the intent to have the Board approve the budget but having the removal of the Treasurer from the Board made it complicated. Mr. Seal asked if it made a difference that this is a trust versus a department.

Tara Hagan explained that there is the Prepaid Tuition Trust and the College Savings Trust and the Board does have fiduciary oversight for those two accounts; however, Mr. Howle is referring to the budgetary accounts which are executive budget accounts used to fund the program and require approval of the Governor's Finance Office and the Legislature.

No motion required on Agenda item #16.

- 17.** Board to receive an update on "Let's Go to College! Nevada Saves" from Amplify Relations for the quarter ending June 30, 2018.

Grant Hewitt presented an update to the Board the "Let's Go to College! Nevada Saves" for the quarter ending June 30, 2018 explaining that this was the first year under the AB475 budget cuts. The presentation included an updated campaign metric screenshot of year over year results as it related to the campaign in terms of advertising recall and awareness. Mr. Hewitt stated there was a reduction in number of events attending in the 4th quarter due to Staff turnover in College Savings but we are currently in the hiring process. In general, Staff is pleased with

the efforts Amplify is producing. Mr. Hewitt highlighted the Kick start program stating that 14% of eligible students who have kick start have claimed their accounts and most of our cohorts are sitting at over 5,000 who have claimed their accounts.

Vice Chair Shepherd noted a decline in the number of accounts and asked if we are expecting to see the loss of continue.

Grant Hewitt explained that when we look at the FY17 and FY18 numbers there was a \$200 incentive during the FY17 time period that led to new account growth. Mr. Hewitt will have Staff remove the incentives factor and then do the YOY comparisons.

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

Meeting was adjourned at 12:03 p.m.