

# THE BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF NEVADA

## MINUTES OF BOARD MEETING

March 21, 2019

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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  
Andrew Clinger – Carson City  
Tiffany Greenameyer - Carson City  
Bob Seale – Carson City  
Andrew Martin – Las Vegas  
Treasurer Zach Conine – Carson City, Ex-Officio Non-Voting Board Member

### Others present:

Miles Dickson, Chief-of-Staff  
Tara Hagan, Chief Deputy Treasurer  
Beth Yeatts, Senior Deputy Treasurer – South  
Sheila Salehian, Deputy Treasurer – South  
Blanca Platt, Treasurer's Office  
Troy Watts, Treasurer's Office  
Iben Patino, Treasurer's Office  
Megan Bedera, Amplify Relations  
Judy Minsk, Putnam  
Brendan Murray, Putnam  
Jamie Canup, Hirschler Fleischer  
Sean Copus, Meketa  
Mannik Dhillon, Victory Capital  
Salma Meraz, USAA  
Tom Hewitt, Vanguard  
Sue Hopkins, Ascensus  
Wayne Howle, Deputy Attorney General

Chairman Haag called the meeting to order at 10:00 am. Secretary Beth Yeatts took roll and it was determined a quorum was present. Beth Yeatts indicated the meeting had been properly noticed and the agenda was posted in both Carson City and Las Vegas in accordance with the Nevada Open Meeting Law.

## **Public Comment**

There was no public comment in Carson City, Las Vegas or on the telephone.

## **Consent Agenda**

2. **For possible action:** Board review and approval of the minutes of the College Savings Board of Trustees meeting of February 27, 2019.
3. **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 December 31, 2018.
4. **For possible action:** Board review and approval of the Putnam 529 for America program manager's report for the quarter ended December 31, 2018.
5. **For possible action:** Board review and approval of the Nevada Prepaid Tuition Program activity report for the quarter ended December 31, 2018.
6. **For possible action:** Board review and approval of the Landmark (formerly known as Thomas & Thomas) unaudited financial statements of the Nevada College Savings Plans compiled for the quarter ended December 31, 2018.
7. **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, 2018 to be recorded as non-cash revenue in the State's accounting system.

**Member Martin motioned to approve the Consent Agenda Items' #2 - #7 with no changes or discussion. Member Seale seconded the motion. The motion passed unanimously, but it is noted in the records that Member Clinger abstained from, Agenda Item #2, approval of the minutes, as he was not present at the last meeting.**

## **Discussion Agenda**

**For possible action:** Board review and approval of the Nevada Prepaid Tuition Investment Monitoring Report prepared by Pension Consulting Alliance for the quarter ending December 31, 2018.

Sean Copus, representing Meketa, formerly known as Pension Consulting Alliance, presented the investment monitoring report for the Nevada Prepaid Tuition Trust Fund for the quarter ending December 31, 2018. He stated the equity markets overall were negative for calendar year 2018 and since most of the portfolio is invested in equities, its performance was down as well. He mentioned that covered calls, while down, were less negative than the equities and thus help lessen the decline in performance. Mr.

Copus noted that the markets have bounced back in 2019 and the S&P500 is up 13.5%. Mr. Copus stated that the performance of the different asset classes was in line with expectation and within their respective benchmarks.

**Member Martin** asked for a clarification of the impact of covered calls.

Mr. Copus replied that performance of the covered calls is mostly based on the performance of the S&P500 and provides a small buffer to what happens in the overall portfolio. He noted that the covered call investment helps mute both the upside and downside performance versus equities which given the Plan's funded status, muted returns and less volatility is best.

**Member Martin motioned to approve Agenda Item #8. Member Clinger seconded the motion. Motion passed unanimously.**

**8. 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 December 31, 2018.

Sean Copus, representing Meketa presented the investment monitoring report for the Nevada 529 College Savings Plans for the quarter ending December 31, 2018. He reported that Vanguard and SSgA are mostly passive investments which did not show much fluctuation and are tracking their respective benchmarks. He noted the Vanguard Windsor Fund slipped into caution status and will be monitored closely.

Mr. Copus noted that the two active plans, USAA and Putnam, did not fare as well. He clarified that while the report submitted indicates two (2) additional USAA funds are on watch status only the Growth & Income fund is actually on watch status. He noted that the Precious Metals & Minerals fund had been previously removed from the plan. He reported that the other active plan, Putnam, also had two funds move into watch status but that Wealthfront, another passive fund, had no change in fund status.

**Member Seale** asked how concerned the Board should be with USAA funds, with six (6) funds now in watch status.

Mr. Copus replied that it is not the number of funds that a Plan has on watch status, but rather how long the funds have remained on watch and why the funds are on watch. In the case of USAA, all the funds are managed by different managers so there is no common element to account for the poor performance; it would be of great concern if the lackluster performance was due to a single manager or reason.

**Member Seale** asked if the poor performance was just a coincidence.

Mr. Copus replied that he does not have a great answer for why the USAA funds have had such a bad stretch, but it would be a much greater concern if there had been a lot of management changes.

**Member Martin** noted the Wealthfront was blowing it out of the water compared to the other plans. He wondered if there was any explanation or clarification that could explain the differences in performance.

Mr. Copus replied that the entire Wealthfront portfolio is passive and thus tracks the market. He noted that USAA's portfolio is active and it has been a very difficult year and quarter for any active fund managers.

Mr. Copus reviewed the watch status memo, noting that USAA had one more fund move into watch status for a total of six (6) funds. The USAA Income Stock Fund has been on watch status for 21 months but as it is normal for this type of income stock to not do well when the market is down, this fund has improved quite a bit and is just barely still in watch status. The USAA Growth Fund had an extremely strong quarter and is also quickly moving into a better area. The USAA Emerging Markets Fund is not trending up yet but has managed to outperform its benchmarks since the first of the year and finally, the USAA Growth & Income Fund suffered a tough 2018 but has no major issues to report and will be watched over the coming quarters.

Mr. Copus then reported on the two (2) Putnam funds that have been moved to watch status. The GAA All Equity Fund is a specialty, multi-sector fund and generally moves similar to global equities; however, this fund is 75% domestic and that's where its difficulties arise since US stock prices have had a tough 2018. The Putnam Small Cap Value Fund is also on watch and it has experienced a lot of manager changes in addition to the tough 2018 market conditions, especially in the fourth quarter. However, he noted that a new manager took over at the beginning of 2019 and the fund is already up 1.7% from its benchmark.

**Member Seale motioned to approve Agenda Item # 9. Member Martin seconded the motion. Motion passed unanimously.**

9. **For possible action:** Board review and approval of the annual investment presentation for Putnam 529 Plan for America.

Judy Minsk, Putnam Senior Manager of Investment Strategies, presented a brief overview of Putnam for the benefit of the new members and described some of the points that sets Putnam apart from the other Nevada 529 Plans.

**Zach Conine** asked for more information regarding the Putnam scholarship program.

Ms. Minsk explained that there is no application process and all Nevada participants are eligible after they have contributed and maintained at least \$1,000 balance for one (1) year. She noted that the majority of the Nevada accounts qualify for the scholarship, and agreed to provide exact statistics.

Brendan Murray, Putnam Senior Investment Director, Global Asset Allocation, presented the market review, stating that 2018 had been a unique year in that the first three quarters were good with solid growth in the US and a strong dollar. He noted that

only in the fourth quarter did the markets begin to unravel based on worries of rising interest rates and unstable global markets. During the fourth quarter, stocks, bonds and commodities all underperformed cash for only the third time since the 1970, which is a very unique and rare situation.

**Member Martin** asked what percentage of Putnam's 529 Plans are in foreign investments.

Mr. Murray replied that they range from 5 – 25% with an overall average of 15% of the funds have international exposure.

Mr. Murray then discussed the key risks for 2019 which included, the inverted yield curve, federal interest rate policy, credit availability, capital misallocation and trade. He reported that none of these factors are overly concerning today but warned that a material risk in any factor could impact volatility. Putnam seeks to mitigate these risks through diversification and its Plan is very well positioned going forward.

**Member Clinger motioned to approve Agenda Item # 10. Member Greenameyer seconded the motion. Motion passed unanimously. It is noted for the record that Member Martin temporarily left the room and did not participate in this vote.**

10. Board to enter into a non-meeting pursuant to NRS 241.015(3)(b)(2) with counsel to discuss the contract and contract negotiations associated with the impending acquisition of USAA Asset Management Company, including the USAA 529 Plan by Victory Capital Holdings, Inc. No action will be taken by the Board during the closed session.
11. **For possible action:** Board to direct Treasurer Conine and Staff regarding the contract negotiations with USAA and Victory Capital Holdings, Inc.

**Member Martin motioned to direct Treasurer Conine to continue contract negotiations with USAA and Victory Capital Holdings and encourage Victory and USAA to send a draft by early next week with the expectation that the parties continue to work diligently to finalize this process and that the staff notify the Board Members of the progress. Member Seale seconded the motion. Motion passed unanimously.**

12. **For possible action:** Board review and approval of considerations for the proxy vote associated with the acquisition of USAA Asset Management Company, including the USAA 529 Plan by Victory Capital Holdings, Inc.

**Treasurer Conine** briefed the other Board members on issues surrounding the proxy, including the need for more information on how assets will be transferred from USAA to Victory, how those assets will be allocated between investment strategies and teams, who the specific asset managers will be, etc. He further explained that staff is working with USAA and Victory to quickly obtain information on these items, and others, such that the Board can make an informed decision on the proxy.

**Chair Haag**, asked Treasurer Conine, does this discussion also include concerns about the marketing plan and other elements of this relationship that were asked about by the Board prior to making a decision on a vote.

**Treasurer Conine** replied that is correct.

**Member Clinger motioned to authorize Treasurer Conine to vote the proxy on behalf of the Board, based upon the information he and the staff and the investment consultant have obtained prior to the April 18<sup>th</sup> shareholder vote. The Treasurer will report his findings and the outcome of the vote. Member Greenameyer seconded the motion. Motion passed unanimously.**

### **Informational Agenda**

13. Board to receive a marketing update on “Let’s Go to College! Nevada Saves” from Amplify Relations for the quarter ending December 31, 2018.

Megan Bedera, Amplify Relations, highlighted the marketing activities during the quarter ending December 31, 2018. She reported that the marketing shifted focus from the 529 umbrella campaign to the Prepaid Tuition Plan and created testimonials using key political figures to run as digital online ads, and those have had a great response.

15. Board to receive an update on College Savings activities and receive the Staff Notes since the last Board update on December 13, 2018.

Sheila Salehian, Deputy Treasurer of College Savings, noted that a Prepaid Tuition contest winner had been awarded in the north. Treasurer Zach Conine appeared with the winner on television news show to promote the plan and that two more earned media opportunities will occur over the next few weeks. Ms. Salehian also reported on new sponsorships (LV Lights, Asian Chamber of Commerce, Spring Preserves), the continued success of the School Savings pilot program (opportunity for Member participation in year end program celebrations), and the pending announcement of the Guinn Memorial Scholarship winners.

**Member Seale** asked about the number of Prepaid enrollments to date.

Ms. Salehian confirmed that there were 116 enrollments as of March 8 and that was in line with where the enrollments were last year. She pointed out that a big rush generally comes at the program close which is March 31; but, the plan is to extend the enrollment until April 30 as has been done in prior years.

**Member Seale motioned to adjourn. Member Martin seconded the motion. The motion passed unanimously.**