

THE BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING

June 20, 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 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, Treasurer's Office
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
Mannik Dhillon, Victory Capital
Salma Meraz, USAA
Lisa Cobb Alexander, USAA
Paul Fulmer, USAA
Eric White, Meketa
Sean Copus, Meketa
Tom Hewitt, Vanguard
Christy Erickson, Vanguard
Scott Donaldson, Vanguard
Sue Hopkins, Ascensus
Ardie Hollingsworth, Ascensus
Greg Ott, Deputy Attorney General

1. Roll Call

Chairman Haag called the meeting to order at 10:00 am. Secretary Beth Yeatts took roll and it was determined a quorum was present. Ms. 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.

2. Public Comment

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

Consent Agenda

3. **For possible action to approve:** the minutes of the College Savings Board of Trustees meeting of March 21, 2019.
4. **For possible action to approve:** the Ascensus program manager's report encompassing results for Vanguard, USAA, SSgA Upromise and Wealthfront 529 plans for the quarter ended March 31, 2019.
5. **For possible action to approve:** the Putnam 529 for America program manager's report for the quarter ended March 31, 2019.
6. **For possible action to approve** the Nevada Prepaid Tuition Program activity report for the quarter ended March 31, 2019.

Member Seale motioned to approve Agenda Item's 3 - 6. Member Clinger seconded the motion. Motion passed unanimously.

Member Greenameyer joined the meeting after the consent agenda items were voted on and prior to the opening of the discussion agenda.

Discussion Agenda

7. For possible action: on the amended and restated Private Label Product Agreement (PLPA) between Victory Capital, Ascensus and the Board. Board shall receive an update on the draft PLPA and consider authorizing Treasurer Conine to fully execute the contract prior to the close of the transaction between USAA and Victory Capital, estimated to be on or around July 1, 2019.

Tara Hagan, Chief Deputy, reviewed the key contract items which included, ensuring the Board was party to the PLPA and termination language which clearly outlined the Board in its sole discretion would direct the assets upon termination or expiration of the contract. She noted staff and outside counsel were able to negotiate these two items successfully. Lastly, she stated the expiration dates for the marketing and infrastructure agreements between USAA and Victory have been extended for the 529 plan to align with the PLPA expiration date.

Miles Dickson, Chief of Staff, explained that a very complete set of expectations and guidelines for everything from termination to marketing and referral is now reflected in the agreement.

Andrew Martin questioned if there was anything, while negotiations were taking place, missing in the agreement that we wanted to see or add.

Mr. Dickson replied that the State did not ask for this transaction, so the State wasn't seeking to enhance its position but expected, at the very least, a requirement that status quo be kept until the expiration of the contract. Staff had ideas on how the State could expand its position some of which are reflected in the agreement, but that cleanup language was most important. Staff is very pleased with where the agreement ended up and are optimistic all parties will find ways to build on the partnership moving forward.

Chair Haag asked what is expected to change over the course of the next couple of weeks.

Mr. Dickson stated that at this point the agreement is 99% complete with just a few technical adjustments left to finalize. Once the agreement is finalized, staff will provide the Board with a complete packet and all exhibits.

Member Seale motioned to approve Agenda Item #7. Member Martin seconded the motion. Motion passed unanimously.

8. For discussion and possible action: on the Nevada Prepaid Tuition Investment Monitoring Report prepared by Meketa Investment Group Inc. (Meketa) for the quarter ending March 31, 2019.

Sean Copus, Meketa Investment Group, presented the Nevada Prepaid Tuition Investment Monitoring Report for the quarter ending March 31, 2019. Mr. Copus commented that the last quarter was tough, with the worst domestic market returns since the Great Recession. He noted this reporting quarter was the exact opposite with the best broad market performance since the financial crisis. The portfolio returned 9.1% net of fees and beat its benchmark of 8.9%. Over the one, three and five years, the portfolio has slightly underperformed its benchmark but overall it has good absolute returns. He noted a \$23.5 million increase in assets versus last quarter and \$16.1 million increase over the one-year period.

Mr. Copus noted the Vanguard Index funds comprised of large, mid and small capitalization companies' stocks had double digit returns for the quarter; Glenmede, the covered calls fund manager, outperformed for the quarter and the year; and, Chicago Equity Partners, the fixed income portfolio manager, underperformed for the quarter but this is expected for a high quality domestic fixed income portfolio.

No questions or comments from Board members.

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

9. For discussion and possible action: on the Nevada 529 College Savings Plans Investment Monitoring Report prepared by Meketa Investment Group Inc for the quarter ending March 31, 2019.

Sean Copus, Meketa Investment Group, presented the Nevada 529 College Savings Plans Investment Monitoring Report for the quarter ending March 31, 2019. He stated the six (6) USAA equity funds are on watch status and all funds have improved performance since the last quarter with three of the funds no longer qualifying for watch. However, due to the impending transition to Victory Capital and expected fund management changes, Meketa is recommending these funds remain on watch status.

Mr. Copus reviewed the two (2) Putnam Funds on watch status. He noted the GAA All Equity Fund has had slight performance improvement and although it's technically eligible for removable from watch, Meketa is recommending it remain on watch for an additional quarter to ensure performance continues to improve. The Putnam Small Cap Value Fund performed extremely well in the current quarter, up 5.1% against its benchmark, but due to a management change in February, it will also remain on watch status.

Mr. Copus recommended the Vanguard Windsor fund be added to watch status due to underperformance in the recent quarter. The fund had a rough past year and was down over the most recent quarter, trailing its benchmark by 7.2%.

Andrew Martin asked if there had been any change in the emerging markets in terms of composition or exposure and if Meketa has any insight into these funds with regards to investments in Mexico.

Eric White, Meketa representative replied there has not been any high-level asset allocation changes over the last couple quarters nor any strategic shifts in the allocation to foreign versus domestic equities or fixed income securities. He noted the majority of managers would have an allocation to Mexico which is consistent with global market-cap weightings, although some managers may have a percentage which is slightly higher or lower than global market-cap weightings.

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

10. For discussion and possible action: on the Kenny Guinn Memorial Scholarship winners in the North and South for 2019.

Sheila Salehian, Deputy Treasurer, presented the Kenny Guinn Memorial Scholarship winners in the North and South for 2019. She stated there were 13 applications for the two \$4,500 scholarships. The scholarships are awarded to students pursuing an education degree in Nevada with a stated intent to teach state. She noted the

evaluation committee, comprised of Treasurer's staff, Nevada System of Higher Education staff and a member of the Guinn family has submitted to the Board for its consideration two candidates, one in southern Nevada and the other in the north.

Member Seale motioned to approve Agenda Item #10. Member Clinger seconded the motion. Motion passed unanimously.

Informational Agenda

11. Board to receive an update on College Savings activities and the Staff Notes since the last Board update on March 31, 2019.

Sheila Salehian, Deputy Treasurer, presented an update on college savings outreach and education activities. She noted an increase in applications for the Silver State Matching Grant program compared to last year and attributed it to a redesign of the website. She noted staff sent mailings to Nevada students who did not have an email address on file to ensure families take advantage of the Nevada College Kick Start Program. She provided an update on the School Savings Program, which was rolled out in both the North and South which gives students an opportunity to save for college by bringing their money to school on a weekly basis to deposit into their own college savings account or bank account. The program is very automated with over 74 new savers.

No questions or comments from the Board.

12. Board to receive an update on 2019 Legislative Session outcomes related to Nevada College Savings Board.

Miles Dickson, Chief of Staff gave an update on the 2019 Legislative Session. He noted SB414 makes several changes to the Kenny Guinn Memorial Scholarship program, including increasing the number of recipients from two (2) to four (4), increasing the scholarship dollars to \$5,000 and expanding eligible institutions to include nonprofit universities. Mr. Dickson also highlighted SB82 and explained the four major changes to the College Savings statutes. He noted the marketing budget cap was increased from 3% to 7% of annual endowment revenue, the Board membership was revised to reinstate the State Treasurer as a voting member which reduces the number of gubernatorial appointees from 3 to 2, a change to allow a Board member whose term has ended may serve until his or her successor is appointed, and the elimination of the requirement that the Board Chair serve a one (1) year term. Lastly, it directs the Board to determine the appropriate accounting method for money in the Nevada College Kick Start account.

No questions or comments from the Board.

13. Public Comment

Treasurer Conine acknowledged former Treasurer Bob Seale for his service and efforts to the Board over the past 8 plus years. Treasurer Conine stated Mr. Seale created the Prepaid Tuition program in 1998 and has also been instrumental in the creation and success of the 529 College Savings programs since that time. Treasurer Conine noted Mr. Seale's service to the Board has been gracious and very much appreciated over the last several years. Board member Andrew Martin and Chair Haag also thanked Mr. Seale for his service and dedication to the Board over the years.

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

Member Seale motioned to adjourn at 10:51am. Member Martin seconded the motion. The motion passed unanimously.