

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

## MINUTES OF BOARD MEETING

September 19, 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– Treasurer Zach Conine – Carson City  
Andrew Clinger – Carson City  
Tiffany Greenameyer - Carson City  
Jeff Haag – Carson City  
Andrew Martin – Las Vegas

### 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  
Holly Shrum, Treasurer's Office  
Sean Copus, Meketa  
Christy Erickson, Vanguard  
Sue Hopkins, Ascensus  
Ardie Hollingsworth, Ascensus  
Ian Carr, Deputy Attorney General

### **1. Roll Call**

Chairman Treasurer Conine 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 June 20, 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 ending June 30, 2019.
5. **For possible action to approve:** the Putnam 529 for America program manager's report for the quarter ending June 30, 2019.
6. **For possible action to approve:** the Nevada Prepaid Tuition Program activity report for the quarter ending June 30, 2019.

**Member Haag motioned to approve Agenda Items 3 - 6. Member Clinger seconded the motion. Motion passed unanimously.**

### **Discussion Agenda**

7. **For discussion and possible action:** on the Nevada Prepaid Tuition Investment Monitoring Report prepared by Meketa Investment Group Inc for the quarter ending June 30, 2019.

Sean Copus with Meketa Investment Group presented the Nevada Prepaid Tuition Investment Monitoring Report for the quarter ending June 30, 2019. He stated that as of June 30, 2019 the portfolio had an aggregate value of \$293.1 million and over the quarter the portfolio increased in value by \$9.7 million and over the past calendar year it had increased in value by \$17.9 million.

Member Martin asked with the federal funds rate cuts recently what is the outlook for the economy and market performance considering a potential economic downturn.

Mr. Copus stated the market expected the rate cut; therefore, the market wasn't affected with the announcement. He noted that the rate cuts and inverted yield curve signal the potential for a recession which would indicate that ultra-safe and conservative fixed income will probably outperform equities. However, he noted the asset allocation of the portfolio, including the percentage invested in covered calls mitigates downward pressures on the portfolio's performance and aids in reducing losses.

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

**8. 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 June 30, 2019.

Sean Copus with Meketa Investment Group presented the Nevada 529 College Savings Plans Investment Monitoring Report for the quarter ending June 30, 2019. Mr. Copus provided a quick overview of the five different college savings plans starting with Vanguard. He stated it didn't have a lot of movement and 80% of the underlying funds are either positive or acceptable. He noted the Vanguard US Growth Fund was added to the watch list last quarter due to organizational concerns but in terms of performance it is still performing as expected.

Mr. Copus explained that the SSGA Program had one fund that deteriorated in performance during the quarter and is now considered in the caution range. The SSGA plan contains passive underlying funds which are expected to track their respective index; however, this fund had a little spike in its tracking error which means it is that it slightly underperformed its benchmark. He noted this does happen from time to time and it's not something to be concerned about.

Mr. Copus explained that the underlying funds in the USAA Program have seen significant improvement in their performance over the last quarter and there are 45% of funds that are considered positive or acceptable in regard to performance versus their respective benchmarks.

Mr. Copus reviewed the underlying fund performance in the Putnam plan. He noted only one fund deteriorated in performance slightly during the quarter and 74% of funds have either a positive or acceptable status and with the Wealthfront Program all funds are performing exactly as expected and 100% of funds are in the positive range.

Mr. Copus reviewed the watch status memo which consists mainly of funds on in the USAA 529 plan due to the investment and organizational changes as a result of the acquisition of the plan by Victory Capital. He noted all the equity funds are now on the watch list, including the USAA International fund. In terms of performance, most of the funds do not qualify for watch due to poor performance versus their respective benchmarks. Mr. Copus stated they recommend that the Putnam GAA be removed from watch status because it has seen improvement in performance to the point to where it no longer qualifies. Mr. Copus stated that Vanguard has two funds on watch which are the Vanguard Windsor and the Vanguard US Growth. The Vanguard US Growth fund is performing quite well but it's on watch due to material organizational changes in the fund. The Vanguard Windsor fund had another dip in performance, it did underperform over the quarter but over the long term this has been a quality fund. Mr. Copus stated that both SSGA and Wealthfront do not have any funds that are recommended for or currently on watch status.

**Member Martin** asked for clarity on policy and procedure when it comes to doing business with programs that have funds on constant watch status. He questioned why USAA is constantly on watch but plans like Wealthfront doesn't have funds on watch.

Mr. Copus explained the difference in investment style of Wealthfront versus USAA. Wealthfront exclusively uses passively managed underlying funds within its plan. USAA uses all actively managed funds within its plan, which means the fund managers are striving for additional returns above a standard index. Mr. Copus stated that before Victory acquired the plan, USAA's underlying funds were under performing their benchmarks. The funds were not performing well versus their peers' therefore, Meketa welcomes the change that Victory is bringing. As far as the question when should we stop doing business, Mr. Copus stated he was not comfortable going into that and believes that is the Board's decision to make. He said that Meketa, as the investment consultant, will monitor performance and aid the Board in determining when an underlying fund should be replaced and whether a plan has the appropriate asset allocation to ensure as reasonable exposure to the market.

**Chair Conine** inquired about the ongoing communication with Victory and asked if we have made progress on getting the information we need.

Mr. Copus stated that Meketa really wanted to investigate performance of the past funds and the managers they are putting in place for the USAA funds going forward. In general, they've done a good job but there were a couple small areas with performance issues. Meketa is going to have an onsite visit to sit with managers to make sure we know what they are doing. At this point there haven't been any complaints and when we reach out, they get back to us very quickly and have been very open in making sure we have the information we need.

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

**9. For discussion and possible action:** on the Prepaid Tuition funding guideline established by the Board for direction in the pricing of future Prepaid Tuition contracts.

Tara Hagan presented this agenda item and provided background regarding the rationale for the creation of the funding policy guideline which was created two years ago. She noted the Board's role as a fiduciary includes managing the risk associated with the program which includes monitoring the funded ratio and future contract prices. She stated as of June 30, 2019 the funded ratio was 154.6%, which at 34.6% over the target funded ratio of 120% would mean the risk associated with the program is virtually zero. Therefore, the pricing of future contracts would follow the policy guideline and be set effectively flat for the next term beginning on November 1, 2019. She noted that over the past two years staff has worked with the actuary to ensure consistency in the process of risk management and a more formulaic process to price future contracts. She noted the goal of the process is to see incremental changes through management of the funded ratio and future contract prices. Staff is asking that rather than bring the policy to the Board every two years we ask that the oversight of the Policy guideline be delegated to staff and if there are amendments or changes within the Policy, those will be brought back to the Board for review.

**Member Clinger** stated he supports the proposal but asks that if staff does amend the funding Policy guidelines, that those changes be reported back to the Board.

Ms. Hagan stated that those changes would absolutely be reported back to the Board.

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

**10. For discussion and possible action:** on Prepaid Tuition program 2020 contract prices, open enrollment dates and fee schedule.

Sheila Salehian presented the Prepaid Tuition program 2020 contract prices, open enrollment dates and fee schedule. As a result of staff following the funding policy, the contract pricing will stay the same this year, as last year, despite the 4% increase at the Nevada System of Higher Education (NSHE) this year so that should be a good selling point for the program and we are excited to offer more value to Nevada residents this year by keeping the prices the same. Ms. Salehian stated there are no recommended changes in open enrollment. November 1, 2019 through March 31, 2020 has been the open enrollment period for some time, and we would like to keep these dates consistent with the past several years. Ms. Salehian stated staff is not recommending any changes to the existing program fees.

No questions or comments.

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

**11. For discussion and possible action:** on the amendments to the 2020 Prepaid Tuition Master Agreement.

Sheila Salehian presented the amendments to the 2020 Prepaid Tuition Master Agreement and reviewed the minor changes that staff made to the agreement.

No questions or comments.

**Member Haag motioned to approve Agenda Item #11. Member Martin seconded the motion. Motion passed unanimously.**

**12. For discussion and possible action:** on the annual marketing overview for fiscal year 2020.

Miles Dickson presented an overview of the FY20 Marketing Plan for the Nevada College Savings Programs stating that the office is currently reviewing all marketing which includes our marketing vendor of four years. We chose not to continue with that contract, and we will be going out to market for a competitive proposal and we'd like to have a new vendor in place by January at the latest. Mr. Dickson stated that moving forward the goal of the office is to focus on its customers. Nevadans need trustworthy information on how

to make post-secondary education as affordable as possible based on family's unique circumstances. Our office can provide more comprehensive information and resources to help Nevadans in all aspects of their post-secondary financial journey and promote legacy products and scholarships with the launch of several new educational assistance services, which includes the Student Loan Ombudsman and College Savings Navigator position. Staff will continue to collaborate with our 529 partners, NSHE, Nevada Department of Education (NDOE) and local school districts to offer abundant opportunities. In terms of products, our office is attempting to distinguish between products, savings products, scholarship products and educational and resource services. The reason we believe this is important is that we think we can more correctly market and promote by distinguishing the difference between these products and we think this is an opportunity to build culture as an office that services and help our customers, even if they do not buy or open our savings products. Mr. Dickson explained to the Board that our office is planning to establish two new positions, a Student Loan Ombudsman and College Savings Navigator as a source and partner for all Nevadans in planning, saving and paying for post-secondary and help create and grow awareness of the various resources available.

**Member Martin** asked with the expansion of the law allowing 529 plan money to fund private schools K-12, have the private schools been approached to join us with this marketing plan.

Treasurer Conine stated that our 529 partners have started to speak to their clients about the use of 529s in that capacity. Where we're going from a marketing perspective is to focus our efforts on making sure that the individuals who aren't necessarily being marketed to outside of our efforts get marketed to. It's not a focus for our office, but it is our responsibility to follow up with our 529 partners to make sure they are reaching out and following up with private school organizations.

**Member Haag** commented that he feels like the Board and staff should have better relationships with NSHE, NDOE and local school districts. As staff continues to merge this plan, he encourages staff to continue to focus more on our schools in the state to spread college savings awareness.

Treasurer Conine commented stated that one of the reasons our office pushed for the Navigator position was so that we could have another resource to be in the schools.

**Member Clinger motioned to approve Agenda Item #12. Member Haag seconded the motion. Motion passed unanimously.**

### **Informational Agenda**

**13.** Board to receive an update on the College Savings activities and the staff notes since the last Board update on June 30, 2019.

Sheila Salehian gave an update on College Savings activities and staff notes. She stated that they had a record number of applications for the Silver State Matching Grant at 520

applicants. She thanked staff, Ascensus and the field reps for their hard work on communicating the program.

Ms. Salehian stated that she is excited to work with our new marketing vendor to determine we can best position the Prepaid Tuition program to Nevada families. Recently they've met with elementary counselors in the south and have shared information about the college savings programs and have asked the schools to allow us to come and talk to them during their college readiness week and have collected approximately 25 addresses of counselors who are willing to let us speak to the schools.

Member Greenameyer asked how our office do outreach in the rural areas.

Ms. Salehian stated that we have done some outreach in the rural areas including a program with Anson to do a piggy bank savings in some of the elementary schools. We have had some in person engagements in the elementary schools where we've gone out and presented a college savings kickstart event.

No questions or comments from the Board.

#### **14. Public Comment**

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

**Member Clinger motioned to adjourn at 11:21am. Member Martin seconded the motion. The motion passed unanimously.**