

Zach Conine
State Treasurer



STATE OF NEVADA
OFFICE OF THE STATE TREASURER

PUBLIC MEETING

AGENDA

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

Friday, January 29, 2021 at 11:00 a.m.

Locations:

Pursuant to the Governor's Emergency Directive 006, as extended, there will not be a physical location for this meeting. The public is welcome to participate by joining the Zoom Meeting at the following link or phone number and entering the password when prompted.

Zoom Meeting Link: <https://zoom.us/j/91234409914?pwd=Qy9mY2NZY052Q3JNb0lZZWoraXNqUT09>

Zoom Meeting Dial-in: 669 900 9128 Webinar ID: 912 3440 9914

Please email Itzel.Fausto@nevadatreasurer.gov for Zoom Meeting password.

Agenda Items:

1. **Roll Call.**

2. **Public Comment.**

Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 3 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

3. **For possible action to approve:** the minutes of the College Savings Board of Trustees meeting of December 17, 2020.

4. **For possible action to approve:** Board review and approval of the Fiscal Year 2020 Annual Report for the Nevada Prepaid Tuition Program.

5. **For possible action to approve:** Board review and approval of the Fiscal Year 2020 Annual Audit of the Nevada Prepaid Tuition Program by Eide Bailly, LLP.

6. **Public Comment.**

Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 3 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

7. **ADJOURNMENT.**

Notes:

Items may be taken out of order; items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time.

Prior to the commencement and conclusion of a quasi-judicial proceeding that may affect the due process rights of an individual, the Board may refuse to consider public comment. See NRS 233B.126.

The Nevada College Savings Board of Trustees is pleased to make reasonable accommodations for persons with physical disabilities. Please call (775) 684-5600 if assistance is needed.

Itzel Fausto may be contacted at Itzel.Fausto@nevadatreasurer.gov to obtain copies of supporting materials.

Pursuant to the Governor's Emergency Directive 006, as extended, this agenda has been posted electronically at the following locations: [Nevada Treasurer](#) and the [Nevada Public Notice](#).

THE BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING

Thursday, December 17, 2020

The meeting was held virtually for all board members and participants.

Board members present:

Chairman– Treasurer Zach Conine
Andrew Clinger
Tiffany Greenameyer (excused)
Jeff Haag
Andrew Martin

Others present:

Tara Hagan, Chief Deputy Treasurer
Kirsten Van Ry, Senior Deputy Treasurer
Tya Mathis-Coleman, Deputy – College Savings
Blanca Platt, Treasurer’s Office
Troy Watts, Treasurer’s Office
Jamille Walton, Treasurer’s Office
Evelyn Castro, Treasurer’s Office
Elizabeth Mares, Treasurer’s Office
Ian Carr, Attorney General
Eric White, Meketa Investment Group
Stephanie Sorg, Meketa Investment Group
Judy Minsk, Putnam Investments
Tom Hewitt, Ascensus
Joy Slabaugh, Vanguard
Nathaniel Gandy, Wealthfront
Daniel Cahill, SSGA
Mannik Dhillon, Victory Capital Management
Ruby Dang, Garcia Hamilton & Associates

1. Roll Call

Chairman Treasurer Conine called the meeting to order at 10:00 am, and determined a quorum was present.

2. Public Comment

There was no public comment.

Consent Agenda

3. **For possible action to approve:** the minutes of the College Savings Board of Trustees meeting of September 17, 2020.
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 September 30, 2020.
5. **For possible action to approve:** the Putnam 529 for America program manager's report for the quarter ended September 30, 2020.
6. **For possible action to approve:** the Nevada Prepaid Tuition Program activity report for the quarter ended September 30, 2020.
7. **For possible action to approve:** the Fiscal Year 2020 audited financial statements for the Putnam 529 for America Plan, the SSGA Upromise 529 Plan, the USAA 529 College Savings Plan, the Vanguard 529 Plan, and the Wealthfront 529 College Savings Plan.
8. **For possible action to approve:** the Prepaid Tuition Program annual actuarial valuation report as of June 30, 2020.
9. **For possible action to approve:** the 2021 College Savings Board of Trustee Meeting Schedule.

Member Martin motioned to approve Agenda Items 3 – 9. Member Clinger seconded the motion. Motion passed unanimously.

Discussion Agenda

10. **For discussion and possible action:** Nevada Prepaid Tuition Investment Monitoring Report prepared by Meketa Investment Group Inc for the quarter ending September 30, 2020.

Eric White, the Meketa representative presented the third calendar quarter report ended September 30, 2020 for the Prepaid Tuition Trust Fund. Mr. White provided an overview of the current market, including concerns that the market led by large companies in the U.S. is teetering on 'frothiness' due to overvaluation of companies, such as Tesla. He noted this is despite continued headwinds in U.S. GDP and unemployment rates due to the pandemic. He speculated the market environment will continue to be volatile until the pandemic is better contained via widespread vaccination throughout the country. He stated the assets under management in the Trust ended September 20 at \$324.6 million which was \$23.2 million more than assets as of reported for the prior period ended June 30. He noted the Fund is up 5.14% over the quarter, 7.7% for the year, 7.22% for the three-year period, and 8.77% for the five-year period. Mr. White noted this continued outperformance in the Trust's underlying investments is one factor in its incredibly healthy funded ratio which is over 165% as noted in the actuarial report under the consent agenda items.

He stated on page 330 of the larger report, Mesirow, the fixed income manager slightly underperformed its benchmark for the quarter but has outperformed for the one-year period. He noted the covered calls investment also slightly underperformed for the quarter but significantly outperformed for the one-year period. He noted the domestic public equity index funds performed as expected, matching their respective index.

Member Martin inquired about the expected future rate of return for the investments and how this factor along with the expected tuition rate increases could affect the long-term health of the Fund. He noted the tuition increases were lower than expected which presumably helped boost the funded ratio.

Mr. White noted the funded ratio used by the actuary is generally conservative and has remained around 5.00% for many years. He explained that the actuary uses an accounting method to smooth the annual returns over 5-years which allows the Fund to bank higher annual returns and mitigate market losses to create a less volatile impact to the valuation of the investments. He noted the change in funded ratio is the result of the change in the assets and the change in liability. Therefore, even though the actual rate of return of the investment was less than the expected return for the past fiscal year ended June 30, 2020, the liability had an experience gain and a reduction due to the lowering of the future tuition increases. He noted the actuary or staff would need to provide more specifics but stated there are several factors which affect the funded ratio.

Motion to approve this agenda item from Member Hagg and a second from Member Martin. Motion passed unanimously.

11. For discussion and possible action: Nevada 529 College Savings Plans Investment Monitoring Report prepared by Meketa Investment Group Inc for the quarter ending September 30, 2020.

Mr. White, Meketa Representative presented the performance for the underlying funds in the five (5) 529 savings plans. He started on page 334 of the materials with the “Watch” Status memo. Mr. White reviewed the two funds being added to ‘watch’ effective with the performance as of September 30, 2020. He began with the Putnam 529 for America funds and provided an overview of the strategy utilized by Putnam for the GAA funds which are all on ‘watch’ status. He detailed the current market environment to help explain the underperformance of the GAA funds. He then provided details regarding the Putnam Income fund which Meketa recommended the Board add to ‘watch’ status, although he noted Meketa is not concerned with this fund over the long term and explained the underperformance is due to the Fund’s investment philosophy and process.

Mr. White then reviewed the current USAA funds on ‘watch’ status and recommended the addition of the SSGA fund. He noted the USAA funds continue to be on ‘watch’ status mainly due to the underperformance of the funds in the years prior to the acquisition by Victory Capital. He stated this past performance will eventually roll off which will allow the funds to improve their overall performance in the short, medium, and long term. Mr. White briefly explained the nuances related to the SSGA fund and noted Meketa anticipates this fund to quickly recover and be recommended for removal from ‘watch’ status in the next few quarters.

Member Martin commented on his continued concern with foreign investments in the 529 savings plans. He noted the increased risk associated with foreign currencies, political risks, and monetary policy risks are all a concern which is then coupled with higher transaction and taxation fees on foreign investments. He noted the return provided for foreign investments even over longer periods does not seem to be commensurate with the risks investors are taking. He noted he certainly would prefer these 529 investments did not include foreign investments.

Motion to approve this agenda item from Member Clinger and a second from Member Martin. Motion passed unanimously.

12. For discussion and possible action: on the contractual agreement with Garcia Hamilton & Associates for fixed income management for the Prepaid Tuition Investment Portfolio.

Staff Member Tara Hagan presented this item. She noted in July 2020 the Purchasing Division conducted a Request for Proposal (RFP) on behalf of the Treasurer's Office for fixed income investment management for the Prepaid Tuition Trust Fund. She noted the evaluation committee received seventeen proposals which were evaluated on proxy investment performance similar to the Fund mandate, relevant experience, and qualifications; firm background and expertise; compliance and reporting; and cost. Ms. Hagan noted Garcia Hamilton & Associates rated highest of the respondents, and accordingly was selected. She reviewed the overall cost of the contract and noted the transition of assets and holdings would occur in December and performance will start being reported in January.

Board members did not have any questions on this item.

Motion to approve this agenda item from Member Hagg and a second from Member Clinger. Motion passed unanimously.

13. Public Comment.

There was no public comment.

14. ADJOURNMENT.

Member Clinger motioned to adjourn at 10:45am. Member Martin seconded the motion. Motion passed unanimously.

THE BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF NEVADA

Agenda Item 4 January 29, 2021

Item: **2020 Fiscal Year Annual Report of the Nevada Higher Education Prepaid Tuition Trust Fund**

Fiscal Impact: None by this action.

Summary:

Under NRS 353B.170 the Board shall:

1. Prepare an annual report setting forth in appropriate detail an accounting of the Trust Fund and a description of the financial condition of the Trust Fund at the close of each fiscal year, including, without limitation, a statement of projected receipts, disbursements and operating costs of the Trust Fund.
2. Submit the report prepared pursuant to subsection 1 on or before March 31 of each year:
 - a) In odd-numbered years, to the Governor, the Senate Standing Committee on Finance and the Assembly Standing Committee on Ways and Means.
 - b) In even-numbered years, to the Governor and the Interim Finance Committee.

Attached, therefore, is the annual report of the Nevada Higher Education Prepaid Tuition Trust Fund as of June 30, 2020, prepared by State Treasurer staff.



Annual Report

Office of Nevada State Treasurer Zach Conine

FY20

July 1, 2019 – June 30, 2020

Zach Conine
State Treasurer



**STATE OF NEVADA
OFFICE OF THE STATE TREASURER
NEVADA PREPAID TUITION PROGRAM**

March 1, 2020

Dear Governor Sisolak and Members of the Nevada Legislature:

Enclosed please find a copy of the Nevada Prepaid Tuition Program's Fiscal Year 2020 Annual Report as required pursuant to NRS 353B.170.

Since 1998, the Nevada Prepaid Tuition Program has helped families take control of rising tuition costs by purchasing in-state tuition at today's rates for use in the future. In Fiscal Year 2020, the Treasurer's Office established 524 new Prepaid Tuition contracts, which brought the program's total enrollment to 22,239 children.

The Program continues to be self-sufficient, requiring no contribution from the State's General Fund. As of June 30, 2020, the funded ratio of the plan was 165.7% based on the actuarial value of assets.

The Nevada Prepaid Tuition Program is offered by the Board of Trustees of the College Savings Plans of Nevada and administered by the Nevada State Treasurer's Office. The Program offers a variety of Prepaid Tuition contract levels from community college to university, or a combination of both, as well as flexible payment plans designed to meet the diverse needs of Nevada families.

I look forward to sharing the future successes of this program with you and further assisting Nevadans plan for, save for, and pay for postsecondary education.

Sincerely,

A handwritten signature in black ink, appearing to be "ZC", followed by a long horizontal line.

Zach Conine
Nevada State Treasurer

**555 E. Washington Avenue
Suite 5200
Las Vegas, Nevada 89101
NVPrepaid.gov**

**NEVADA
PREPAID TUITION**

**(888) 477-2667 Toll Free
(702) 486-2025 Telephone
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OVERVIEW

The Nevada Prepaid Tuition Program (“Program”) provides a convenient and affordable way for Nevada families to save for college through an IRS Qualified Tuition Program (QTP) option that allows purchasers to lock in the cost of in-state higher education credit hours today, for use in the future. The Program differs from the other Nevada state-sponsored 529 College Savings Plan options because it allows parents, grandparents, extended family, and friends to purchase a contract for a fixed amount of in-state undergraduate credit hours for a child to use when they graduate from high school.

The Program offers five tuition plans and four payment options. Contract purchasers choose a plan and a payment option for a specified beneficiary that meets their personal needs and budget. When the beneficiary enrolls in a postsecondary institution, the Program pays the contract benefits (college tuition costs) directly to the institution on the beneficiary’s behalf. Contract benefits are based on in-state college tuition rates at Nevada public colleges, but can be applied to tuition costs at any public or private institution of higher education, either in-state or out-of-state, that accepts the free application for federal student aid (FAFSA).

The Program began operating in 1998 following creation by the Nevada Legislature in 1997 under NRS 353B. The Program is administered by the State Treasurer’s Office under the direction of the Board of Trustees of the College Savings Plans of Nevada (“Board”). During FY20, the Board consisted five voting members:

- State Treasurer, Chair;
- Director of the Department of Administration or his/her designee;
- Chancellor of the Nevada System of Higher Education (NSHE) or his/her designee; and
- Two members appointed by the Governor.

In accordance with NRS 353B, the Board is required to contract with a certified actuary and a certified public accounting firm to perform annual actuarial valuation and financial audits. For Fiscal Year 2020(“FY20”), the Board contracted with Gabriel Roeder Smith & Company to conduct the actuarial valuation study, and Eide Bailly LLP to conduct the audit.

FINANCIAL STABILITY

The Program is not supported by the full faith and credit of the State of Nevada, nor is it guaranteed by the State’s General Fund. Accordingly, the Board continuously evaluates and takes necessary measures to maintain the financial stability of the Program. In FY20, the Board contracted with investment firms Chicago Equity Partners, Mesirow Financial, Glenmede, and Vanguard to provide professional investment services. The Board also contracted with an investment consultant, Meketa Investment Group Inc., to monitor investments and provide consultation and reporting to the Board. Investments were made in accordance with the Program’s Investment Policy, which was approved by the Board and posted on the Nevada Prepaid Tuition website.

During FY20, the Board also reviewed and upheld the Prepaid Tuition funding guidelines with the objective of maintaining assets in excess of tuition liabilities based on a funding target of 120% and recommendations of actions to take when the funding status was over or under the 120% target.

These measures sustained the financial stability of the Program during FY20, and resulted in:

- A favorable rate of return of 6.58% on Actuarial Value of Assets, exceeding assumed return of 5.25%;
- An increase of 2.8% in the Program's total assets;
- A decrease of 2.2% in total Program liabilities;
- A moderate increase (11.1%) in the Program's net position; and
- A funded status of 165.7%.

FINANCIAL OBJECTIVES

The FY20 financial objectives of the Board remained unchanged from previous fiscal years and incorporate the following standards:

- Require the fair value of the Program's investments and assets to be greater than or equal to the actuarial value of all obligations, including future tuition benefits and all future administrative expenses and liabilities associated with operating the Program;
- Establish an appropriate investment portfolio of assets to accumulate an amount sufficient to pay future tuition benefits and administrative expenses associated with all contracts; and
- Establish contract plans and payment options that offer value, flexibility, and affordability for Nevada families.

CONTRACT PRICING

As in previous years, prices for the FY20 enrollment period were established based on four key factors:

1. Future tuition increases assumptions and published rates from the Nevada System of Higher Education (NSHE).
2. Assumed rate of return on investments.
3. Methodology of allocating current and future administrative expenses of the Program.
4. Historical utilization of credit hours by participants in the program.

Based on these factors, the adopted funding guidelines, and the current funded status of the Program, the Board was able to keep contract rates for FY20 unchanged from prior fiscal year.

BENEFIT USAGE

When a contract beneficiary goes to college, benefits can be used at any eligible educational institution nationwide. Approximately 3,427 students used their tuition benefits in FY20, which represented an increase of 5.3% from FY19. Benefits used in FY20 totaled \$11,999,639, which were distributed to 321 different qualified institutions, representing a 5.6% increase in used benefits from FY19. Of the total benefits paid out, \$7,915,816, or 66%, were paid on behalf of students attending Nevada System of Higher Education institutions.

Noted below is the three-year historical payment summary of payments made to the Nevada System of Higher Education institutions (NSHE), and the amount that has been paid to institutions of higher education across the country.

Program Payments by Year

	FY20	FY19	FY18
In-state (NSHE)	\$7,915,816	\$7,349,717	\$7,315,425
Private / Out-of-State	\$4,083,823	\$4,017,018	\$3,911,785
TOTAL	\$11,999,639	\$11,366,735	\$11,277,210

As of June 30, 2020, a total of 3,861 students have utilized 100% of their contract benefits. Of those depleted contracts, 81.7% had a 4-year university plan.

ENROLLMENT STATISTICS

The FY20 enrollment period ran from November 1, 2019 to May 15, 2020 and welcomed 524 new children into the Program. To better educate families about the Program and to grow enrollment, in FY20 the Treasurer's Office ("Office") distributed Program brochures to elementary and middle school students in both private and public schools throughout all of Nevada, and utilized various forms of social media, news interviews, and webinars to continue its outreach efforts.

General statistics are self-reported from participant enrollment forms and is only shared in aggregate. Highlights of the information reported during FY20 open enrollment are noted below.

Program chosen: The four-year university plan in FY20 continued to be the most popular plan choice, with 65.6% of purchasers choosing this option, an increase of 8.1% over the prior fiscal year. The second most popular choice for purchasers was the two-year university plan, which represented 13.4% of all contracts sold.

Program Payment Options: Despite a small decline, the lump-sum payment option continued to be the most popular payment option in FY20, representing 40.8% of participants' payment choices. The five-year, ten-year, and extended monthly installment payment options made up the remaining 59.2% of contracts purchased. Among new enrollees choosing a monthly payment option, 10.9% chose to make a down payment, thereby lowering their monthly payments for the contract they purchased.

Beneficiary Age at Enrollment: Newborn enrollments remained the single highest percentage of contracts sold (19.3%), which gives families the longest time to pay for and benefit from college tuition increases over the years by locking in tuition when their child is under a year old. Roughly 8.4% of families purchased Prepaid Tuition contracts for second graders, which represented the second highest percentage of contracts sold.

Referral Source: 28.1% of the purchasers indicated that they were an existing customer, followed by 27.1% indicating they heard about the program from a friend or relative, and 13.5% from the Prepaid Tuition website.

The complete collection of enrollment information is contained in Appendix D.

PROGRAM ENHANCEMENTS

Over the years, various enhancements have been implemented to promote the Program as well as add value and flexibility. In FY 20 the Program was presented with challenges with the COVID-19 Pandemic that resulted in staff switching from in-person outreach to virtual outreach. Staff spent time and efforts educating Nevada about the benefits of the Program through webinars, social media, and news interviews.

In FY21, the Program will be part of the NVigate transition, which is the new branding for the overall college savings division of the Treasurer's Office.

Future objectives and strategies for the Program will continue to include ongoing evaluation of the following:

- Factors and assumptions used to set contract prices to ensure the Program remains affordable for Nevada families.
- Position and assumptions used for establishing the asset allocation of the Trust Fund portfolio to ensure its long-term financial viability in a cyclical investment environment.
- Continued assessment of the overall Program to identify ways to better provide self-servicing options online to existing contract holders.
- Enhancement of outreach efforts to allow Prepaid Tuition to be more inclusive in the promotion of 529 College Savings Plan offerings in webinars, and to bring more awareness to the overall NVigate brand.

SUMMARY OF ACTUARIAL VALUATION REPORT

Pursuant to NRS 353B.190, the Board shall contract with an independent certified actuary to perform an annual actuarial valuation of the Higher Education Tuition Trust Fund. As in the previous fiscal year, the Board contracted with Gabriel Roeder Smith & Company ("GRS") to perform the FY20 valuation. The Actuarial Valuation Report for FY20 as prepared by GRS shows continued improvement in the Higher Education Tuition Trust Fund/Prepaid Tuition Program's financial position. The full Actuarial Valuation Report is provided in Appendix A of this document.

In FY19, the Nevada Board of Regents approved a Predictable Pricing Program, which is intended to base future tuition on the Higher Education Price Index (HEPI) and provide more certainty in short-term increases. With the adoption of the Predictable Pricing Program, modifications to the annual rate of future tuition increase assumptions were made for the Program in FY19, FY20, and beyond.

Financially significant results experienced during FY20 are summarized below:

- The stabilization reserve (surplus) grew by \$20,404,828, or 17.7% from the prior fiscal year. This surplus acts as a risk reserve to mitigate future experience losses. The increase was primarily due to the change in long-term tuition increase assumptions and investment experience.
- The actuarial value of assets grew by 6.1%, an increase of \$17,604,830 from the prior fiscal year.
- The funded ratio, which represents the Program's ability to meet its current and future obligations for all contracts, rose again this fiscal year from 154.6% in FY19 to 165.7% in FY20. The change in tuition increases assumption followed by the interest earned above the assumed rate of return are the two largest items resulting in gains to the FY20 Program funded status.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT

NRS 353B.180 requires the Board to contract with an independent certified public accounting firm to perform an annual audit of accounts and records of the State Treasurer and the Board. During FY20, the Board contracted with the independent auditing firm Eide Bailly LLP to perform the audit on the Higher Education Tuition Trust Fund. The financial statements and the full Independent Auditor's Report are provided in Appendix B of this document. The financial statements of the Trust Fund were prepared in conformance with U.S. Generally Accepted Accounting Principles (GAAP) as applied to government agencies and standards accepted by the Governmental Accounting Standards Board (GASB). The Trust Fund continues to be classified as an enterprise fund of the State of Nevada and was included in the State of Nevada's Comprehensive Annual Financial Report.

The Independent Auditor's Report is used to test the scope of internal controls and compliance, and the results of that testing. In FY20, the Trust Fund once again received a favorable opinion. The Independent Auditor's Report found no deficiencies in internal controls of material weakness to be found or reported. Points of interest included:

- Total assets held were \$349,047,947, an increase of \$9,574,721 or 2.8% from the previous fiscal year.
- For the first time in five years, the Trust Fund saw an increase in total operating expenses. A substantial increase of \$3,128,477 (38.9%) from the prior fiscal year brought the total operating expenses to \$11,172,971 in FY20.
- The Cash and Cash Equivalents declined significantly in FY20 from the prior fiscal year. Cash and Cash Equivalents were \$4,850,537 in FY20, down from \$7,949,934 in FY19, a decrease of 38.9%.
- In FY20 operating revenues decreased by \$2,082,88, or 15.1% from the prior fiscal year.
- The overall net position for FY20 saw a substantial increase of \$14,210,195 (11.1%) from the prior fiscal year.

SUMMARY OF INVESTMENT REPORTS

As stated previously, the Board contracts and regularly meets with professional investment managers and consultants to invest assets of the Higher Education Tuition Trust Fund. In FY19, the Board maintained its investment policy and asset allocation from the previous fiscal year. The portfolio's asset allocation is comprised of 30% fixed income, 20% covered calls, and 50% equities. The equities portion of the portfolio is further allocated to three separate funds: Large Cap, Mid Cap, and Small Cap. The actual allocations deviated slightly from the target allocations; however, all were within acceptable variance levels. The investment report is provided in Appendix C of this document.

Points of interest for investments include the following:

- ♦ The market value of assets grew to \$308,724,298 in FY20, an increase of \$15,639,787, or 5.3% from the prior fiscal year.
- ♦ At the end of FY20, the Program's portfolio net rate of return on a Market Value basis was 4.27%, which significantly outperformed its benchmark of 2.95%.
- ♦ The Program's three-year net rate of return was 6.45%, just slightly above the target benchmark of 6.22%.

APPENDIX A- ACTUARIAL VALUATION REPORT

Nevada Prepaid Tuition Program

Actuarial Valuation Report

As of June 30, 2020





October 15, 2020

The Honorable Zach Conine
Treasurer of the State of Nevada
Capitol Building
Carson City, Nevada 89701

Attention: Ms. Tara Hagan, Chief Deputy Treasurer

Re: Nevada Prepaid Tuition Program Actuarial Valuation as of June 30, 2020

Dear Treasurer Conine:

Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial valuation of the Nevada Prepaid Tuition Program (the "Program") as of June 30, 2020. The purpose of this actuarial valuation is to evaluate the financial status of the Program as of June 30, 2020.

This report presents the principal results of the actuarial valuation of the Program including the following:

- A comparison of the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2020, with the value of the assets associated with the program as of that same date;
- An analysis of the factors which caused the deficit/surplus to change since the prior actuarial valuation; and
- A summary of the actuarial assumptions and methods utilized in the actuarial calculations.

This report was prepared at the request of the Nevada State Treasurer's Office and is intended for use by the Treasury and those designated or approved by the Treasury. This report may be provided to parties other than the Treasury only in its entirety and only with the permission of the Treasury. This report should not be relied on for any purpose other than the purpose described above. GRS is not responsible for unauthorized use of this report.

The valuation results set forth in this report are based upon data and information, furnished by the Program, concerning Program benefits, financial transactions, and beneficiaries of the Program. We reviewed this information for internal and year-over-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the Program. Further, the data and information provided is through June 30, 2020, and does not reflect subsequent market changes.

There are currently no Actuarial Standards of Practice that specifically refer to prepaid tuition plans. We have followed the guidance from the Actuarial Standards of Practice on pensions due to their similar nature.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The major actuarial assumptions used in this analysis were adopted by and are the responsibility of the Program. We last performed a detailed experience study following the June 30, 2017 Actuarial Valuation. See the assumption letter dated June 18, 2020 for the most recent review of assumptions used in this report. We believe the assumptions are reasonable for the purpose of the measurement and are in compliance with actuarial standards regarding pension calculations, and consequently, for the Program.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: program experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. We have performed an analysis of the sensitivity of certain changes in future assumptions. It is not possible or practical to consider every possible contingency because we may use summary information, estimates or simplifications of calculations to facilitate the modeling of future events. We may also exclude factors or data that are deemed to be immaterial.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report is not a recommendation to anyone to participate in the Program. GRS makes no representations or warranties to any person participating in or considering participation in the Program. Current and future participants should be aware that the promises of the Program will only be met if the assets of the Program are sufficient to pay its obligations.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Nevada Prepaid Tuition Program as of June 30, 2020.


The term "sound" or "actuarially sound" is not explicitly defined in the actuarial standards. To the extent it is used in this report, it refers to the situation where either:

- (1) assets meet or exceed liabilities on the valuation date; or
- (2) assets are expected to meet or exceed liabilities at a future date based on the measurements on the valuation date and the expected future revenue based on the Program's Funding Policy Guideline.

James R. Sparks is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The signing individuals are independent of the plan sponsor.

Respectfully submitted,



Kenneth G. Alberts


James R. Sparks, ASA, MAAA

KGA/JRS:sc



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SECTION A

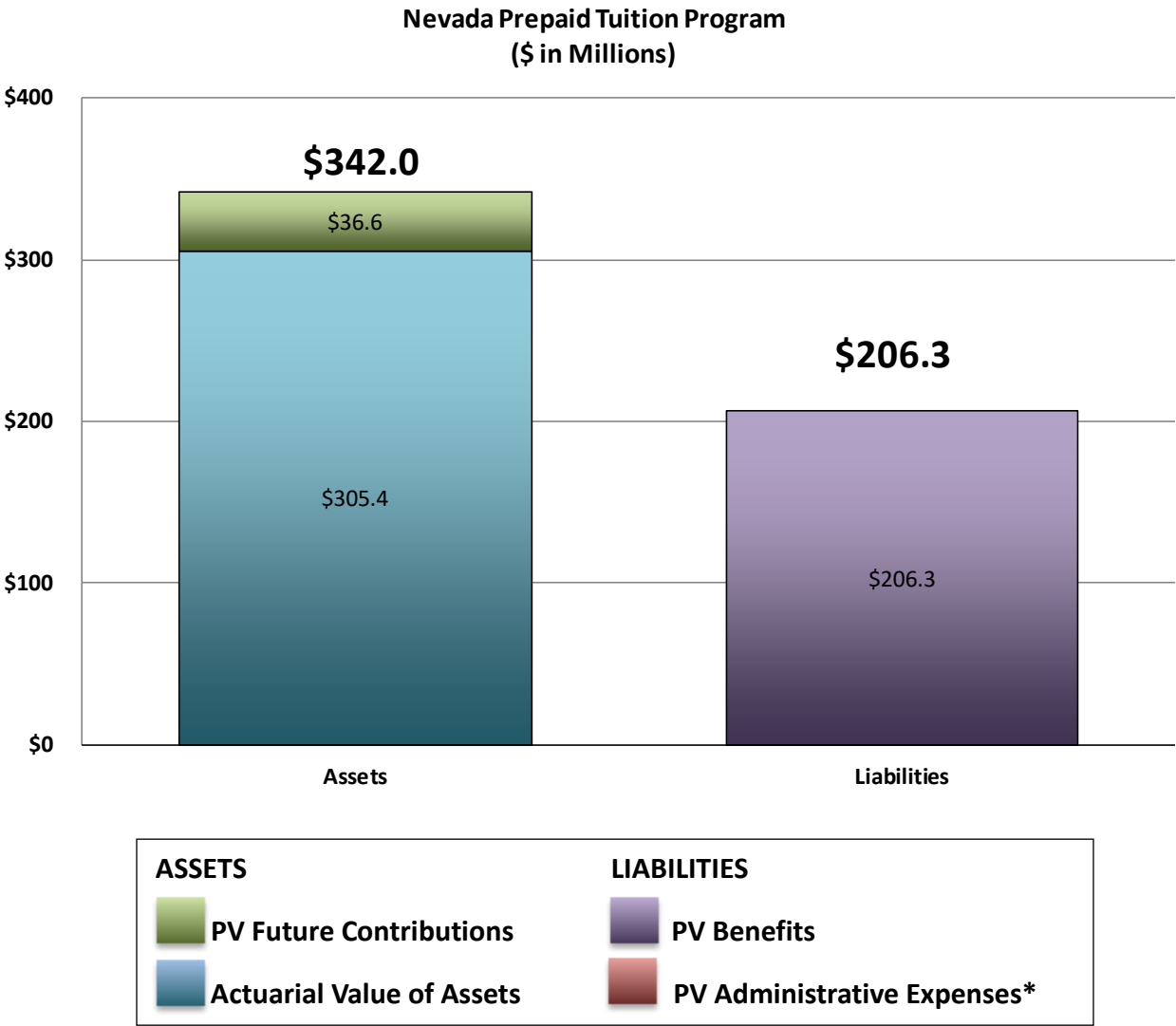
EXECUTIVE SUMMARY

Summary of Results

Valuation Date:	June 30, 2020	June 30, 2019
Membership Summary:		
Counts		
Contract Payments in Progress	3,178	3,486
Contract Payments Fully Paid	5,199	5,198
Delinquent in Contract Payments	394	368
Benefit Payments in Progress	3,054	2,936
Deferred Benefits	338	317
Total	12,163	12,305
Assets		
Actuarial Value of Assets	\$ 305,358,457	\$ 287,753,627
Present Value of Future Contract Payments	36,642,229	38,601,915
Total	\$ 342,000,686	\$ 326,355,542
Rate of Return on Actuarial Value of Assets for Fiscal Year Ended June 30	6.58%	6.38%
Actuarial Liabilities (Present Value of Future Tuition Payments, Refunds and Fees)	\$ 206,345,090	\$ 211,104,774
Surplus/(Deficit)	\$ 135,655,596	\$ 115,250,768
Funded Ratio*	165.7%	154.6%

* The Funded Ratio is the ratio of the Actuarial Value of Assets to actuarial liabilities as defined in the Program's Funding Policy Guideline. This ratio may not be appropriate for determining the Program's settlement costs. This ratio is appropriate for determining the need for future contributions from sources other than payments due from current contracts. A ratio above 100% indicates that additional future contributions from sources other than current contracts are not currently needed to cover liabilities for current contracts under the current set of assumptions. The funded status as of June 30, 2020 would be 169.1% if the Market Value of Assets was used. The rate of return on a Market Value basis for the 2020 fiscal year was 4.24%.

Summary of Assets and Liabilities as of June 30, 2020



**Present Value of Administrative Expenses is shown as zero, assuming administrative expenses continue to be paid from the College Savings Endowment Fund.*

Funded Status as of June 30, 2020

Actuarial Present Value of Future Tuition Payments, Fees and Expenses	\$206,345,090
Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables)	\$342,000,686
Surplus/(Deficit) as of June 30, 2020	\$135,655,596

Change in Surplus/(Deficit)

	Surplus/(Deficit)
(1.) Value as of June 30, 2019	\$ 115,250,768
(2.) Contract Payments	\$ -
(3.) Admin Fees net of Admin Contributions^	\$ -
(4.) Interest on (1.), (2.), and (3.) at Assumed Market Rate of Return	\$ 6,050,666
(5.) New Enrollment Group #	\$ 504,315
(6.) Projected Values at June 30, 2020 [(1.) + (2.) + (3.) + (4.) + (5.)]	\$ 121,805,749
(7.) Change Due to:	
a. Investment Experience Above/(Below) Assumed	\$ 3,824,280
b. Tuition/Fee Inflation	\$ -
c. Change in Short-Term Tuition Increase Assumptions (HEPI)	\$ 2,902,066
d. Change in Long-Term Tuition Increase Assumptions	\$ 3,947,123
e. Other Program Experience During Fiscal Year 2020 @	\$ 3,176,378
Total	\$ 13,849,847
(8.) Actual Value as of June 30, 2020 [(6.) + (7.)]	\$ 135,655,596

^ Administrative fees are covered by a contribution from the Endowment Fund.

Determined before change in assumptions.

@ All other plan experience such as data changes, downgrades, upgrades, change of beneficiaries, using credits faster or slower than assumed, refunds, etc.

Discussion

Actuarial Valuation

Gabriel, Roeder, Smith & Company (“GRS”) has performed an actuarial valuation of the Nevada Prepaid Tuition Program as of June 30, 2020.

The primary purposes of the actuarial valuation are to:

- Determine the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2020 and compare such liabilities with the value of the assets associated with the Program as of that same date; and
- Analyze the factors which caused the deficit/surplus to change since the prior actuarial valuation.

This report summarizes the results under the current assumptions and also presents the impact of variances in the rate of tuition and fee increases as well as the rate of investment return on assets.

In addition, the report provides summaries of the member data, financial data, Program provisions, and actuarial assumptions and methods.

The actuarial standards do not define the term “sound” or “actuarially sound.” For purposes of this report, we are defining this term to mean the following:

- (1) Assets meet or exceed liabilities on the valuation date; or
- (2) Assets are expected to meet or exceed liabilities at a future date based on the measurements on the valuation date and the expected future revenue based on the Program’s Funding Policy Guideline.

Under this definition, the Program is actuarially sound, based on the actuarial assumptions used in this valuation.

Financial Status of Program

As of June 30, 2020, the present value of all future tuition obligations under contracts outstanding (and excluding estimated future administrative expenses) at that date is \$206.3 million. Fund assets as of June 30, 2020, including the Actuarial Value of Program Assets and the present value of installment contract receivables, are \$342.0 million.

The difference between the Actuarial Value of Assets of \$342.0 million and Program obligations of \$206.3 million represents a Program surplus of \$135.7 million. The comparable Program surplus as of the last actuarial valuation as of June 30, 2019 was \$115.3 million.

Under the approved assumptions, the Program is 165.7% funded and is expected to be able to pay benefits on behalf of all current contracts.

This surplus acts as a risk reserve to mitigate future experience losses.

Discussion

Gain/Loss Analysis

The Program experienced continued improvement in the funded status during the year ending June 30, 2020 due to gains from several sources. This gain was primarily attributed to (1.) favorable investment return and (2.) lower than assumed short-term future tuition increases. Additionally, the long-term rates of future tuition increases were decreased (See Assumption Changes) resulting in additional gain.

1. While the return on a Market Value basis was 4.24%, the Actuarial Value of Assets which uses a 5-year smoothing method recognized a rate of return of 6.58% (versus 5.25% assumed). In addition, any investment income on the surplus acts as an additional gain to the Program.
2. The 2019 Higher Education Price Index (HEPI) (determines the assumed tuition increase for the 2023/2024 academic year) increased year over year by 2.50% which is lower than the previously assumed rates of 4.50% for 4-year colleges & 3.75% for 2-year colleges.

Assumption Changes

Assumptions for the June 30, 2020 actuarial valuation were approved by the Treasurer and are summarized in the annual assumption letter dated June 18, 2020. Changes from the prior valuation included reducing the long-term annual rates of future tuition increases for 4-year and 2-year colleges as described below:

1. 4-year colleges long-term tuition increase assumption reduced from 4.50% to 4.00%.
2. 2-year colleges long-term tuition increase assumption reduced from 3.75% to 3.50%.

Between the June 30, 2018 and June 30, 2019 Actuarial Valuation cycles, the Nevada Board of Regents approved the "Predictable Pricing Program" which is intended to base future tuition and fees on the Higher Education Price Index (HEPI) and provide more certainty in the short-term increases. Under this program, the short-term tuition increases (through the 2023/2024 academic year for the June 30, 2020 valuation) are determined based on a formula adopted by the Board of Regents and HEPI data that is available as of June 30, 2020. In order for experience between now and Fiscal Year 2024 to differ from assumed, either the Board of Regents would need to revise decisions already made affecting those years or Commonfund (publisher of HEPI) would need to restate data for 2019 or earlier.

Technical Valuation Programming Updates

There were no changes in the valuation methodology since the June 30, 2017 Actuarial Valuation.

Data

Member data is received from the program and compared with prior years' data for general consistency. No changes were made to the provided data. However, 7 contracts indicated they were fully utilized and were not valued. As of June 30, 2020, there are 250 contracts which are more than 10 years past the contract's projected matriculation year (See schedule on page E-2). It is recommended that program staff review these contracts to confirm the data correctly reflects their current status in the program (i.e., still eligible for utilization of benefits). Note, newly purchased contracts generally only have 6 years from the projected matriculation year to utilize benefits.

Discussion

Benefit Provisions

There were no benefit provision changes since the June 30, 2019 valuation.

Annual Benefit Payouts

Annual benefit payouts have continued to be less than expected over the last several valuations resulting in experience gains. Utilization assumptions were lowered during the experience study. This resulted in the actual benefit payouts to be closer to expected (\$18.8 million in tuition payments and refunds expected versus \$15.0 actual), but still in excess. In prior years, this gap was significantly larger. If the trend continues over the period between experience studies, we will recommend additional adjustments to the assumptions in the next experience study.

Reconciliation of Funded Status Change

	Surplus/(Deficit)	Funded %
June 30, 2019	\$ 115,250,768	154.6%
Interest at Assumed Return (5.25%)	6,050,666	2.9%
Investment Experience above/(below) Assumed	3,824,280	1.8%
New Contract Experience	504,315	0.2%
Actual vs. Expected Tuition/Fee Inflation	-	0.0%
Change in Short-Term Tuition Increase Assumption (HEPI)	2,902,066	1.4%
Change in Long-Term Tuition Increase Assumption	3,947,123	1.9%
Other Experience	3,176,378	1.5%
Change in %'s due to decreasing/(increasing) liabilities*	N/A	1.4%
June 30, 2020	\$ 135,655,596	165.7%

* The denominator of the funded status calculation at the beginning of year (June 30, 2019) is based upon the June 30, 2019 total liabilities, while the June 30, 2020 funded status is based upon of the June 30, 2020 total liabilities.

Discussion

Asset Methodology

In accordance with the Funding Policy Guideline adopted by the Program, this valuation uses a smoothing process in determining the Actuarial Value of Assets (also known as the Funding Value of Assets). This process immediately recognizes the expected return. Twenty percent (20%) of the difference between the actual and expected return is also recognized in the current year and 20% is recognized in each of the next 4 years. The Actuarial Value of Assets is not allowed to deviate by more than 20% from the market value. This smoothing process is intended to provide a more stable valuation from year to year. This method was first implemented in the June 30, 2015 Actuarial Valuation.

Reported Assets

The reported June 30, 2020 market value of assets was \$131 less than what would be obtained from summing the reported June 30, 2019 market value and reported Fiscal Year 2020 revenues and expenditures. For purposes of this valuation, reported investment income was adjusted to force the assets to balance.

Program Payments Modeled

All reported assets were assumed to be available to pay Program payments (tuition and refunds). No non-Program payments were assumed to occur.

SECTION B

PROGRAM DESCRIPTION

Summary of Program Description Evaluated June 30, 2020

Purchasing Contracts – Contract holders may purchase contracts during an enrollment period for newborns to 9th graders. These contracts lock in the cost of tuition for the contract holder at the time of purchase. The holder may choose between a variety of school types and credit hours. Contracts available for purchase include the following:

- **University Plans**
 - 4-Year University (120 University Level Credit Hours)
 - 2-Year University (60 University Level Credit Hours)
 - 1-Year University (30 University Level Credit Hours)
- **Community College Plan**
 - 2-Year Community College (60 Community College Credit Hours)
- **University and Community College Plan**
 - 2-Year Community College and 2-Year University (60 Community College and 60 University Credit Hours)

Contract Payments – Contract holders may agree to pay their contracts off in a variety of ways:

- **Lump-Sum Payment** (Full Contract paid in full at time of enrollment to the Program)
- **10-Year Payments*** (120 monthly payments after purchase of contract)
- **5-Year Payments*** (60 monthly payments after purchase of contract)
- **Extended Payments*** (Monthly payments after purchase of contract for defined period up to and including the year of high school matriculation)

** Members may also elect monthly payment options with an additional down payment made at the time of enrollment to the Program.*

Tuition Payments – When the beneficiary matriculates, the portion of tuition covered by the Program will be dependent on the school of which they attend and the plan they purchased. The program will pay the tuition (also known as registration fees) for all public Universities or Community Colleges in the state. If the beneficiary elects to attend a private or out-of-state University or Community College, the Program will pay out up to the maximum amount that it would have paid to a Nevada school under the matching contract that was purchased. If a beneficiary graduates with remaining credits, those credits can be used for graduate school.

Refunds – If a contract purchaser elects to withdraw from the plan, the amount refunded will be equal to the sum amount the purchaser has paid into the plan less any fees and/or monies paid to a school on the student's behalf.

Usage Period – Contracts have a 6-year period from the expected matriculation date to utilize credits. Contract extensions are allowed for religious, volunteer or military service.

SECTION C

VALUATION RESULTS

Principal Valuation Results as of June 30, 2020

	<u>2020</u>	<u>2019</u>
Number of Members		
a. Contract Payments in Progress	3,178	3,486
b. Contract Payments Fully Paid	5,199	5,198
c. Delinquent in Contract Payments	394	368
d. Benefit Payments in Progress	3,054	2,936
e. Deferred Benefits	338	317
f. Total	<u>12,163</u>	<u>12,305</u>
Assets		
a. Actuarial Value of Assets	\$ 305,358,457	\$ 287,753,627
b. PV Future Member Contributions	36,642,229	38,601,915
c. Total Actuarial Value of Assets	<u>\$ 342,000,686</u>	<u>\$ 326,355,542</u>
Actuarial Results		
Liabilities - Tuition and Fees	\$ 206,345,090	\$ 211,104,774
Liabilities - Present Value of Future Administrative Expenses	-	-
Liabilities Total	\$ 206,345,090	\$ 211,104,774
Surplus/(Deficit)	\$ 135,655,596	\$ 115,250,768
Funded Ratio	165.7%	154.6%

Principal Valuation Results as of June 30, 2020 (Concluded)

	2020	2019
Assets		
a. Actuarial Value of Assets	\$ 305,358,457	\$ 287,753,627
b. PVFMC* (Short Term) ^a	8,506,085	8,865,168
c. PVFMC* (Long Term) ^b	28,136,144	29,736,747
d. Total Actuarial Value of Assets	\$ 342,000,686	\$ 326,355,542
Actuarial Present Value of Tuition, Refunds, Fees and Admin Expenses		
a. Short Term ^a	\$ 19,181,635	\$ 18,350,735
b. Long Term ^b	187,163,455	192,754,039
c. Total	\$ 206,345,090	\$ 211,104,774
Surplus/(Deficit)	\$ 135,655,596	\$ 115,250,768
Funded Ratio	165.7%	154.6%

* Present Value of Future Member Contributions.

^a Present Value of amounts in following year.

^b Present Value of amounts after first year.

Year to Year Change in Actuarial Calculations

	Present Value of Benefits	PV Future Member Contributions	Funding Value of Assets	Surplus/(Deficit)
	(i)	(ii)	(iii)	(iii) + (ii) - (i)
(1.) Values as of June 30, 2019	\$ 211,104,774	\$ 38,601,915	\$ 287,753,627	\$ 115,250,768
(2.) Contract Payments	\$ -	\$ (9,010,046)	\$ 9,010,046	\$ -
(3.) Tuition Payments, Refunds, Admin Fees net of Admin Contributions [^]	\$ (14,883,755)	\$ -	\$ (14,883,755)	\$ -
(4.) Interest on (1.), (2.), and (3.) at Assumed Market Rate of Return	\$ 10,692,302	\$ 1,790,087	\$ 14,952,881	\$ 6,050,666
(5.) New Enrollment Group #	\$ 9,783,992	\$ 5,586,929	\$ 4,701,378	\$ 504,315
(6.) Projected Values at June 30, 2020 [(1.) + (2.) + (3.) + (4.) + (5.)]	\$ 216,697,313	\$ 36,968,885	\$ 301,534,177	\$ 121,805,749
(7.) Change Due to:				
a. Investment Experience Above/(Below) Assumed*	\$ -	\$ -	\$ 3,824,280	\$ 3,824,280
b. Tuition/Fee Inflation	-	-	-	-
c. Change in Short-Term Tuition Increase Assumptions (HEPI)	(2,902,066)	-	-	2,902,066
d. Change in Long-Term Tuition Increase Assumptions	(3,947,123)	-	-	3,947,123
e. Other Program Experience During Fiscal Year 2020 @	(3,503,034)	(326,656)	-	3,176,378
(8.) Total [(7.)a. + (7.)b. + (7.)c. + (7.)d. + (7.)e.]	\$ (10,352,223)	\$ (326,656)	\$ 3,824,280	\$ 13,849,847
(9.) Actual Values as of June 30, 2020 [(6.) + (8.)]	\$ 206,345,090	\$ 36,642,229	\$ 305,358,457	\$ 135,655,596

[^] Administrative fees are covered by a contribution from the Endowment Fund.

[#] Determined before change in assumptions.

^{*} Investment Experience on Actuarial Value of Assets includes any differentiation in Market Value of Assets as provided by the Program.

[@] All other plan experience such as data changes, downgrades, upgrades, change of beneficiaries, using credits faster or slower than assumed, refunds, etc.

SECTION D

FUND ASSETS

Statement of Program Assets (at Market Value)

Nevada Prepaid Tuition Program
Statement of Program Market Value of Assets
Year Ended June 30, 2020

1. Cash	\$ 3,492,007
2. Total Equity	\$ 160,630,739
3. Fixed Income	\$ 89,293,342
4. Other Investments	\$ 58,799,881
5. Net Assets = (1) + (2) + (3) + (4)	<u>\$ 312,215,969</u>

Reconciliation of Program Assets

Nevada Prepaid Tuition Program Statement of Changes in Program Market Value of Assets Year Ended June 30, 2020

1. Market Value of Assets at Beginning of Year	\$ 300,775,948
2. Changes During Year	
a. Additions	
(i) Investment Income	\$ 12,875,453 *
(ii) Contract Payments	13,591,170
(iii) Administration Fees	77,400
(iv) Transfers from Endowment Account	793,692
Total Additions = (i) + (ii) + (iii) + (iv)	\$ 27,337,715
b. Deductions	
(i) Tuition Payments	\$ 11,999,639
(ii) Refunds	2,961,516
(iii) Administration Expenses	793,692
(iv) Investment Expenses	142,847
Total Deductions = (i) + (ii) + (iii) + (iv)	\$ 15,897,694
Net Increases (Decreases) During Year = a - b	\$ 11,440,021
3. Market Value of Assets at End of Year = 1 + 2	\$ 312,215,969
4. Purchased Interest	\$ -
5. Net Market Value of Assets at End of Year = 3 + 4	\$ 312,215,969

* Investment Income includes -\$131.18 variance in reported assets. Inclusion of this cash flow as investment income does not have a significant effect on valuation results.

Development of Actuarial Value of Assets

Year Ended June 30	2019	2020	2021	2022	2023	2024
A. Actuarial Value of Assets Beginning of Year	\$ 268,493,377	\$ 287,753,627				
B. Market Value End of Year	300,775,948	312,215,969				
C. Market Value Beginning of Year	280,640,639	300,775,948				
D. Non-Investment/Administrative Net Cash Flow						
D1. Contract Payments, Admin Fees, Endowment Contributions	16,631,611	14,462,262				
D2. Tuition Payments, Refunds, Admin Expenses	(14,558,015)	(15,754,847)				
D3. Total Net Cash Flow: D1+D2	2,073,596	(1,292,585)				
E. Investment Return						
E1. Market Total: B-C-D3	18,061,713	12,732,606				
E2. Assumed Rate of Return	5.00%	5.25%				
E3. Assumed Amount of Return	13,476,509	15,073,135				
E4. Amount Subject to Phase-In: E1-E3	4,585,204	(2,340,529)				
F. Phased-In Recognition of Investment Return						
F1. Current Year: 0.20 x E4	917,041	(468,106)				
F2. First Prior Year	1,864,078	917,041	\$ (468,106)			
F3. Second Prior Year	2,250,658	1,864,078	917,041	\$ (468,106)		
F4. Third Prior Year	(739,390)	2,250,658	1,864,078	917,041	\$ (468,106)	
F5. Fourth Prior Year	(582,242)	(739,391)	2,250,658	1,864,077	917,040	\$ (468,105)
F6. Total Phase-Ins	3,710,145	3,824,280	4,563,671	2,313,012	448,934	(468,105)
G. Actuarial Value of Assets End of Year						
G1. Preliminary Actuarial Value End of Year: A+D3+E3+F6	\$ 287,753,627	\$ 305,358,457				
G2. Upper Corridor Limit: 120% x B	360,931,138	374,659,163				
G3. Lower Corridor Limit: 80% x B	240,620,758	249,772,775				
G4. Actuarial Value of Assets End of Year	\$ 287,753,627	\$ 305,358,457				
H. Difference Between Market and Actuarial Value	13,022,321	6,857,512	2,293,841	(19,171)	(468,105)	-
I. Recognized Rate of Return	6.38 %	6.58 %				
J. Market Rate of Return	6.41 %	4.24 %				
K. Ratio of Actuarial Value to Market Value	96 %	98 %				

The Actuarial Value of Assets recognizes assumed investment return (line E3) fully each year. Differences between actual and assumed investment return (line E4) are phased-in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than Market Value. If assumed rates are exactly realized for 4 consecutive years, Actuarial Value will become equal to Market Value.

SECTION E

PARTICIPANT DATA

Member Data Beginning to End of Year Summary as of June 30, 2020

	Type of Contract					Total
	4-Yr. Univ	2-Yr. Univ	1-Yr. Univ	2+2	2-Yr. Comm. Coll	
Beginning of Year (6/30/2019)	8,453	1,318	448	1,192	894	12,305
New Contracts	340	69	31	52	25	517
Removed Contracts	437	96	7	68	51	659
End of Year (6/30/2020)	8,356	1,291	472	1,176	868	12,163

Member Matriculation Summary as of June 30, 2020

Projected Enrollment Year	Type of Contract					Total	
	4-Yr. Univ	2-Yr. Univ	1-Yr. Univ	2+2	2-Yr. Comm. Coll		
2002	3	-	-	1	-	4	0.03%
2003	9	-	-	2	1	12	0.10%
2004	10	-	-	3	-	13	0.11%
2005	16	-	-	2	1	19	0.16%
2006	26	-	-	8	2	36	0.30%
2007	22	1	-	6	2	31	0.25%
2008	31	1	-	10	5	47	0.39%
2009	74	-	-	12	2	88	0.72%
2010	110	3	-	7	1	121	0.99%
2011	119	-	-	16	4	139	1.14%
2012	129	1	-	16	5	151	1.24%
2013	150	2	-	19	4	175	1.44%
2014	202	11	1	26	9	249	2.05%
2015	204	6	1	22	14	247	2.03%
2016	339	15	2	43	16	415	3.41%
2017	466	24	2	59	25	576	4.74%
2018	562	47	5	57	36	707	5.81%
2019	514	62	14	46	36	672	5.52%
2020	456	86	19	81	54	696	5.72%
2021	497	94	36	57	71	755	6.21%
2022	454	91	42	71	65	723	5.94%
2023	452	76	33	65	57	683	5.62%
2024	401	100	44	79	59	683	5.62%
2025	424	100	34	67	51	676	5.56%
2026	377	107	30	53	45	612	5.03%
2027	318	71	40	61	46	536	4.41%
2028	315	66	22	32	51	486	4.00%
2029	296	54	27	51	44	472	3.88%
2030	278	61	33	43	41	456	3.75%
2031	237	61	17	25	43	383	3.15%
2032	219	36	16	31	18	320	2.63%
2033	159	31	17	28	21	256	2.10%
2034	191	33	18	30	14	286	2.35%
2035	119	28	14	19	12	192	1.58%
2036	103	13	3	16	9	144	1.18%
2037	74	10	2	12	4	102	0.84%
Total	8,356	1,291	472	1,176	868	12,163	100.00%
	68.70%	10.61%	3.88%	9.67%	7.14%	100.00%	

Member Payment Option Summary as of June 30, 2020

Contract Payment Type	Type of Contract					Total	
	4-Yr. Univ	2-Yr. Univ	1-Yr. Univ	2+2	2-Yr. Comm. Coll		
Lump Sum	3,215	448	243	291	227	4,424	36.37%
5-Year Payments	2,681	321	122	347	304	3,775	31.04%
Extended Payments	2,460	522	107	538	337	3,964	32.59%
Total	8,356	1,291	472	1,176	868	12,163	100.00%
	68.70%	10.61%	3.88%	9.67%	7.14%		100.00%

SECTION F

METHODS AND ASSUMPTIONS

Valuation Methods and Assumptions

All actuarial assumptions are expectations of future experience, not market measures. The rationale for the assumptions is described in the 2013-2017 Experience Study and the annual assumptions letters addressed to the Treasurer of the State of Nevada.

Assumed Rate of Return, Net of Investment Fees: 5.25%

Assumed Rate of Tuition Increases:

Academic Year	University	Community College
2021-2022 [#]	2.80%	2.80%
2022-2023 [#]	2.80%	2.80%
2023-2024 [#]	2.50%	2.50%
2024-2025+	4.00%	3.50%

[#] Short-term assumptions based on actions and/or formulas already adopted by the Board of Regents.

Utilization of Credits*: Benefit payments are based on the following schedule in accordance with the type of Contract and the expected Payout Year.

Type of Contract	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Sixth Year	Seventh Year	Eighth Year
4-Year University Contracts (pre-2010)	20%	20%	20%	15%	10%	5%	5%	5%
4-Year University Contracts (post-2010)	20%	20%	20%	15%	15%	10%		
2-Year CC Plus 2-Year Univ Contracts (pre-2010)	18%	18%	18%	18%	9%		5%	5%
2-Year CC plus 2-Year Univ Contracts (post-2010)	18%	18%	18%	18%	14%	14%		
2-Year University Contracts	25%	25%	20%	15%	10%	5%		
2-Year Community College Contracts	30%	25%	15%	10%	10%	10%		
1-Year Contracts	100%	0%	0%	0%	0%			

* Liabilities are modeled assuming two payments per year (one in mid-September, one in mid-February) for beneficiaries who have matriculated.

Refunds: Sum of contract payments to plan. Withdrawal rates at the beginning of each year are based on the following schedule in accordance with the type of contract purchased.

Years of Payment Since Purchase	University Contracts			Community College Contracts [^]		
	Lump Sum	Five-Year Payments	Extended/ 10-Year Pmts	Lump Sum	Five-Year Payments	Extended/ 10-Year Pmts
1	0.50%	4.00%	5.50%	0.75%	6.00%	7.00%
2	0.50%	4.00%	4.50%	0.75%	5.00%	6.00%
3	0.50%	3.00%	4.00%	0.75%	4.00%	5.00%
4	0.50%	2.00%	3.00%	0.75%	3.00%	5.00%
5	0.50%	1.00%	2.50%	0.75%	2.00%	4.00%
6	0.50%	0.50%	2.50%	0.75%	1.00%	4.00%
7	0.50%	0.50%	2.00%	0.75%	0.75%	3.00%
8	0.50%	0.50%	1.00%	0.75%	0.75%	3.00%
9	0.50%	0.50%	1.00%	0.75%	0.75%	2.00%
10	0.50%	0.50%	1.00%	0.75%	0.75%	2.00%
11	0.50%	0.50%	0.75%	0.75%	0.75%	1.00%
12	0.50%	0.50%	0.75%	0.75%	0.75%	1.00%
13	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%
14	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%
15+	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%

[^] The 2-Year Community College plus 2-Year University contracts were included with Community College contracts for the purposes of the refund assumption.

Valuation Methods and Assumptions (Concluded)

If credit utilization for a member has been at or above expectations, 100% of remaining credits will be utilized.

If credit utilization for a member has been below expectations, $\frac{1}{2}$ of the difference between past expected credit utilization and actual credit utilization will be utilized in the future. Any remaining balances are assumed to be refunded.

Election of Program Changes:	None.
Election of Change of Beneficiary:	None.
Liability Adjustments for Administrative Expenses:	None. Administrative expenses are paid from outside the trust.
Contract Terms:	No changes in contract terms are assumed, once initiated.
Pricing Methodology:	Based on Weighted Average Tuition (WAT) rate increased to assumed year of payment, based on tuition rate increase assumption and discounted to payment date based on net investment return assumption.
Timing of Tuition Payments:	Two payments per year (mid-September & mid-February) for beneficiaries who have matriculated
Timing of Refunds:	At the end of the month the member withdraws from the plan.
Weighted Average Tuition (WAT) for the 2020/2021 Academic Year:	
○ 4-Year College:	\$7,267.50
○ 2-Year College:	\$3,202.50
Bias Load:	None.

Note: Since all the covered in-state 4-year colleges and universities charge the same tuition and all the covered in-state two-year colleges charge the same tuition, the WAT is simply the rate of tuition and fees. If the covered colleges and universities begin to charge different rates of tuition in the future, a WAT (averaging) calculation will be performed and a bias load may be necessary.

SECTION G

SENSITIVITY ANALYSIS

Sensitivity Analysis Description

The actuarial assumptions regarding future increases in tuition costs and fees and the future rate of investment return were adopted by the State Treasurer. In our opinion, the assumptions prescribed to us are reasonable for the purpose of the measurement. However, no one knows with certainty what the future holds with respect to economic and other contingencies. For example, while it is assumed that the assets of the fund will earn 5.25% each year throughout the life of the contracts, actual returns are expected to vary from year to year. Therefore, we have projected the Program's results under alternative assumptions for future investment income and tuition increases as follows:

1. Current valuation assumptions approved by the State Treasurer.
2. Tuition increase assumptions are 100 basis points higher/lower than currently assumed.
3. The investment return assumption is 100 basis points higher/lower than assumed.
4. Tuition increase assumptions are 100 basis points higher and the investment return assumption is 100 basis points lower than assumed.
5. Tuition increase assumptions are 100 basis points lower and the investment return assumption is 100 basis points higher than assumed.
6. Tuition increase assumptions are 25 basis points higher and the investment return assumption is 50 basis points higher than assumed.

Investment gains and losses not yet realized on the valuation date as a result of the 5-year asset smoothing method will be realized in each of the next 4 years. For purposes of this sensitivity testing, future experience was assumed to match the illustrated change in assumptions.

A summary of the impact of each of these scenarios on the principal valuation results is presented on the following page. See Section G for detailed projection results of each scenario.

The projections assume no new contract purchases. Future contract purchases will affect projection results based on the risk margins built into future pricings. If risk margins for new purchases are lower than the current funded status, there will be downward pressure on future funded statuses and vice versa.

Sensitivity Analysis Summary

\$ in Millions

	Current Valuation Assumptions (G-3)	Assumed Tuition Increases +100 Basis Points (G-4)	Assumed Tuition Increases -100 Basis Points (G-5)	Assumed Investment Return +100 Basis Points (G-6)	Assumed Investment Return -100 Basis Points (G-7)	Assumed Tuition Increases +100 Basis Points and Investment Return -100 Basis Points (G-8)	Assumed Tuition Increases -100 Basis Points and Investment Return +100 Basis Points (G-9)	Assumed Tuition Increases +25 Basis Points and Investment Return +50 Basis Points (G-10)
Assumed Investment Return	5.25%	5.25%	5.25%	6.25%	4.25%	4.25%	6.25%	5.75%
Assumed Long-Term Tuition Increases (Univ) [#]	4.00%	5.00%	3.00%	4.00%	4.00%	5.00%	3.00%	4.25%
Assumed Long-Term Tuition Increases (CC) [#]	3.50%	4.50%	2.50%	3.50%	3.50%	4.50%	2.50%	3.75%
1 Assets								
a. Actuarial Value of Assets	\$305.4	\$305.4	\$305.4	\$305.4	\$305.4	\$305.4	\$305.4	\$305.4
b. PV Future Member Contributions	\$ 36.6	\$ 36.6	\$ 36.6	\$ 35.5	\$ 37.9	\$ 37.9	\$ 35.5	\$ 36.1
c. Total Assets	\$342.0	\$342.0	\$342.0	\$340.9	\$343.3	\$343.3	\$340.9	\$341.5
2 Actuarial Results								
Liabilities - Tuition and Fees	\$206.3	\$214.6	\$198.7	\$193.5	\$220.7	\$229.9	\$186.7	\$201.6
Liabilities - PV of Future Admin. Expenses	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Liabilities Total	\$206.3	\$214.6	\$198.7	\$193.5	\$220.7	\$229.9	\$186.7	\$201.6
Surplus/(Deficit)	\$135.7	\$127.4	\$143.3	\$147.4	\$122.6	\$ 113.4	\$154.2	\$139.9
Funded Ratio	165.7%	159.4%	172.1%	176.1%	155.5%	149.3%	182.5%	169.3%
Difference from Results Based on Current Assumptions								
Surplus	\$0.0	\$(8.3)	\$7.6	\$11.7	\$(13.1)	\$(22.3)	\$18.5	\$4.2
Funded Ratio	0.0%	(6.3)%	6.4%	10.4%	(10.2)%	(16.4)%	16.8%	3.6%

[#] Only affects assumptions in Fiscal Year's ending 2025 and thereafter.

Numbers may not match schedules in Section G due to rounding.

Nevada Prepaid Tuition Program
Projection Based on June 30, 2020 Valuation Results

Input	
Valuation	
Assumed Rate of Investment Return	5.25%

Estimated Valuation Results	
Present Value of Future Tuition and Fees	\$206,345,090
Present Value of Future Contract Payments	\$ 36,642,229
June 30, 2020 Actuarial Value of Assets	\$305,358,468
Unfunded Liability	\$(135,655,607)
Funded Status	165.7%
Year Insolvent	Never

Fiscal Year Ending June 30,	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Actuarial Value of Assets (BOY*)	Projected Tuition Payments & Refunds (Discounted to BOY*)	Other Payments	Additional Transfers from NCSTF (EOY*)	Projected Contract Payments (Discounted to BOY*)	Projected Funded Status
2021	5.25%	n/a	n/a	\$ 305,358,468	\$ 19,181,635	\$ -	-	\$ 8,506,085	165.7%
2022	5.25%	2.80%	2.80%	314,717,453	19,367,464	-	-	7,090,310	174.8%
2023	5.25%	2.80%	2.80%	320,631,438	19,390,949	-	-	5,920,603	184.2%
2024	5.25%	2.50%	2.50%	323,735,994	19,355,970	-	-	4,808,543	194.2%
2025	5.25%	4.00%	3.50%	324,952,873	18,857,606	-	-	3,771,963	205.5%
2026	5.25%	4.00%	3.50%	326,135,260	19,224,799	-	-	2,848,934	219.1%
2027	5.25%	4.00%	3.50%	326,021,764	18,937,242	-	-	2,408,484	236.1%
2028	5.25%	4.00%	3.50%	325,741,388	18,446,576	-	-	2,040,164	257.0%
2029	5.25%	4.00%	3.50%	325,575,062	17,553,574	-	-	1,681,143	283.1%
2030	5.25%	4.00%	3.50%	325,962,019	16,817,927	-	-	1,243,108	315.5%
2031	5.25%	4.00%	3.50%	326,682,528	16,131,025	-	-	895,921	356.9%
2032	5.25%	4.00%	3.50%	327,798,414	14,932,950	-	-	683,698	411.3%
2033	5.25%	4.00%	3.50%	330,010,493	14,064,973	-	-	510,683	482.6%
2034	5.25%	4.00%	3.50%	333,070,154	12,680,213	-	-	353,501	581.3%
2035	5.25%	4.00%	3.50%	337,582,473	11,791,291	-	-	194,615	717.7%
2036	5.25%	4.00%	3.50%	343,100,051	10,413,596	-	-	106,091	924.0%
2037	5.25%	4.00%	3.50%	350,264,155	8,973,663	-	-	49,326	1,000.0%+
2038	5.25%	4.00%	3.50%	359,260,158	7,561,357	-	-	3,966	1,000.0%+
2039	5.25%	4.00%	3.50%	370,167,162	5,693,434	-	-	-	1,000.0%+
2040	5.25%	4.00%	3.50%	383,608,598	4,048,832	-	-	-	1,000.0%+
2041	5.25%	4.00%	3.50%	399,486,654	2,400,297	-	-	-	1,000.0%+
2042	5.25%	4.00%	3.50%	417,933,391	1,346,905	-	-	-	1,000.0%+
2043	5.25%	4.00%	3.50%	438,457,276	494,251	-	-	-	1,000.0%+
2044	5.25%	4.00%	3.50%	460,956,084	5,860	-	-	-	1,000.0%+
2045	5.25%	4.00%	3.50%	485,150,110	2,983	-	-	-	1,000.0%+

* Beginning/End of year (Fiscal).

Nevada Prepaid Tuition Program
Projection Based on June 30, 2020 Tuition Increases +100 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	5.25%

Estimated Valuation Results	
Present Value of Future Tuition and Fees	\$214,557,869
Present Value of Future Contract Payments	\$ 36,642,229
June 30, 2020 Actuarial Value of Assets	\$305,358,468
Unfunded Liability	\$(127,442,828)
Funded Status	159.4%
Year Insolvent	Never

Fiscal Year Ending June 30,	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Actuarial Value of Assets (BOY*)	Projected Tuition Payments & Refunds (Discounted to BOY*)	Other Payments	Additional Transfers from NCSTF (EOY*)	Projected Contract Payments (Discounted to BOY*)	Projected Funded Status
2021	5.25%	n/a	n/a	\$ 305,358,468	\$ 19,181,635	\$ -	-	\$ 8,506,085	159.4%
2022	5.25%	2.80%	2.80%	314,717,453	19,367,464	-	-	7,090,310	167.4%
2023	5.25%	2.80%	2.80%	320,631,438	19,390,949	-	-	5,920,603	175.6%
2024	5.25%	2.50%	2.50%	323,735,994	19,355,970	-	-	4,808,543	184.2%
2025	5.25%	5.00%	4.50%	324,952,873	19,030,515	-	-	3,771,963	193.7%
2026	5.25%	5.00%	4.50%	325,953,274	19,582,952	-	-	2,848,934	205.1%
2027	5.25%	5.00%	4.50%	325,453,267	19,472,637	-	-	2,408,484	219.3%
2028	5.25%	5.00%	4.50%	324,579,542	19,150,401	-	-	2,040,164	236.8%
2029	5.25%	5.00%	4.50%	323,611,444	18,397,592	-	-	1,681,143	258.4%
2030	5.25%	5.00%	4.50%	323,006,982	17,795,391	-	-	1,243,108	285.2%
2031	5.25%	5.00%	4.50%	322,543,571	17,233,896	-	-	895,921	319.3%
2032	5.25%	5.00%	4.50%	322,281,389	16,107,991	-	-	683,698	364.0%
2033	5.25%	5.00%	4.50%	322,967,094	15,317,983	-	-	510,683	422.3%
2034	5.25%	5.00%	4.50%	324,338,184	13,942,570	-	-	353,501	502.7%
2035	5.25%	5.00%	4.50%	327,063,444	13,093,277	-	-	194,615	613.4%
2036	5.25%	5.00%	4.50%	330,658,433	11,676,853	-	-	106,091	780.2%
2037	5.25%	5.00%	4.50%	335,839,774	10,159,244	-	-	49,326	1,000.0%+
2038	5.25%	5.00%	4.50%	342,830,673	8,645,060	-	-	3,966	1,000.0%+
2039	5.25%	5.00%	4.50%	351,734,532	6,572,096	-	-	-	1,000.0%+
2040	5.25%	5.00%	4.50%	363,283,464	4,718,788	-	-	-	1,000.0%+
2041	5.25%	5.00%	4.50%	377,389,321	2,824,358	-	-	-	1,000.0%+
2042	5.25%	5.00%	4.50%	394,229,623	1,600,103	-	-	-	1,000.0%+
2043	5.25%	5.00%	4.50%	413,242,570	592,809	-	-	-	1,000.0%+
2044	5.25%	5.00%	4.50%	434,313,873	7,029	-	-	-	1,000.0%+
2045	5.25%	5.00%	4.50%	457,107,954	3,577	-	-	-	1,000.0%+

* Beginning/End of year (Fiscal).

Nevada Prepaid Tuition Program
Projection Based on June 30, 2020 Tuition Increases -100 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	5.25%

Estimated Valuation Results	
Present Value of Future Tuition and Fees	\$ 198,736,783
Present Value of Future Contract Payments	\$ 36,642,229
June 30, 2020 Actuarial Value of Assets	\$ 305,358,468
Unfunded Liability	\$(143,263,914)
Funded Status	172.1%
Year Insolvent	Never

Fiscal Year Ending June 30,	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Actuarial Value of Assets (BOY*)	Projected Tuition Payments & Refunds (Discounted to BOY*)	Other Payments	Additional Transfers from NCSTF (EOY*)	Projected Contract Payments (Discounted to BOY*)	Projected Funded Status
2021	5.25%	n/a	n/a	\$ 305,358,468	\$ 19,181,635	\$ -	-	\$ 8,506,085	172.1%
2022	5.25%	2.80%	2.80%	314,717,453	19,367,464	-	-	7,090,310	182.2%
2023	5.25%	2.80%	2.80%	320,631,438	19,390,949	-	-	5,920,603	192.9%
2024	5.25%	2.50%	2.50%	323,735,994	19,355,970	-	-	4,808,543	204.5%
2025	5.25%	3.00%	2.50%	324,952,873	18,684,697	-	-	3,771,963	217.8%
2026	5.25%	3.00%	2.50%	326,317,247	18,870,074	-	-	2,848,934	233.9%
2027	5.25%	3.00%	2.50%	326,586,652	18,412,048	-	-	2,408,484	254.0%
2028	5.25%	3.00%	2.50%	326,888,700	17,762,768	-	-	2,040,164	278.9%
2029	5.25%	3.00%	2.50%	327,502,316	16,741,408	-	-	1,681,143	310.1%
2030	5.25%	3.00%	2.50%	328,845,259	15,886,353	-	-	1,243,108	348.9%
2031	5.25%	3.00%	2.50%	330,697,620	15,089,991	-	-	895,921	398.7%
2032	5.25%	3.00%	2.50%	333,119,987	13,834,408	-	-	683,698	464.5%
2033	5.25%	3.00%	2.50%	336,767,664	12,904,749	-	-	510,683	551.1%
2034	5.25%	3.00%	2.50%	341,403,212	11,522,519	-	-	353,501	671.4%
2035	5.25%	3.00%	2.50%	347,571,490	10,608,679	-	-	194,615	838.3%
2036	5.25%	3.00%	2.50%	354,858,191	9,277,142	-	-	106,091	1,000.0%+
2037	5.25%	3.00%	2.50%	363,835,714	7,917,295	-	-	49,326	1,000.0%+
2038	5.25%	3.00%	2.50%	374,656,051	6,605,000	-	-	3,966	1,000.0%+
2039	5.25%	3.00%	2.50%	387,377,906	4,925,440	-	-	-	1,000.0%+
2040	5.25%	3.00%	2.50%	402,531,220	3,468,858	-	-	-	1,000.0%+
2041	5.25%	3.00%	2.50%	420,013,135	2,036,701	-	-	-	1,000.0%+
2042	5.25%	3.00%	2.50%	439,920,197	1,131,888	-	-	-	1,000.0%+
2043	5.25%	3.00%	2.50%	461,824,695	411,355	-	-	-	1,000.0%+
2044	5.25%	3.00%	2.50%	485,637,540	4,877	-	-	-	1,000.0%+
2045	5.25%	3.00%	2.50%	511,128,378	2,482	-	-	-	1,000.0%+

* Beginning/End of year (Fiscal).

Nevada Prepaid Tuition Program
Projection Based on June 30, 2020 Investment Return +100 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	6.25%

Estimated Valuation Results	
Present Value of Future Tuition and Fees	\$193,514,552
Present Value of Future Contract Payments	\$ 35,485,584
June 30, 2020 Actuarial Value of Assets	\$305,358,468
Unfunded Liability	\$(147,329,500)
Funded Status	176.1%
Year Insolvent	Never

Fiscal Year Ending June 30,	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Actuarial Value of Assets (BOY*)	Projected Tuition Payments & Refunds (Discounted to BOY*)	Other Payments	Additional Transfers from NCSTF (EOY*)	Projected Contract Payments (Discounted to BOY*)	Projected Funded Status
2021	6.25%	n/a	n/a	\$ 305,358,468	\$ 19,105,131	\$ -	-	\$ 8,465,962	176.1%
2022	6.25%	2.80%	2.80%	317,702,937	19,290,618	-	-	7,056,865	186.9%
2023	6.25%	2.80%	2.80%	326,874,031	19,314,125	-	-	5,892,675	198.3%
2024	6.25%	2.50%	2.50%	333,492,313	19,279,326	-	-	4,785,861	210.7%
2025	6.25%	4.00%	3.50%	338,468,182	18,783,172	-	-	3,754,171	224.9%
2026	6.25%	4.00%	3.50%	343,654,130	19,149,078	-	-	2,835,496	241.9%
2027	6.25%	4.00%	3.50%	347,799,331	18,862,756	-	-	2,397,123	263.2%
2028	6.25%	4.00%	3.50%	352,042,055	18,374,125	-	-	2,030,540	289.5%
2029	6.25%	4.00%	3.50%	356,679,624	17,484,676	-	-	1,673,213	322.5%
2030	6.25%	4.00%	3.50%	362,172,421	16,751,950	-	-	1,237,244	363.6%
2031	6.25%	4.00%	3.50%	368,323,823	16,067,786	-	-	891,695	416.3%
2032	6.25%	4.00%	3.50%	375,219,465	14,874,433	-	-	680,473	485.9%
2033	6.25%	4.00%	3.50%	383,589,599	14,009,876	-	-	508,274	577.4%
2034	6.25%	4.00%	3.50%	393,218,497	12,630,549	-	-	351,834	704.5%
2035	6.25%	4.00%	3.50%	404,748,519	11,745,140	-	-	193,697	881.0%
2036	6.25%	4.00%	3.50%	417,771,893	10,372,855	-	-	105,591	1,000.0%+
2037	6.25%	4.00%	3.50%	432,973,667	8,938,559	-	-	49,093	1,000.0%+
2038	6.25%	4.00%	3.50%	450,589,463	7,531,793	-	-	3,947	1,000.0%+
2039	6.25%	4.00%	3.50%	470,752,968	5,671,174	-	-	-	1,000.0%+
2040	6.25%	4.00%	3.50%	494,149,406	4,033,003	-	-	-	1,000.0%+
2041	6.25%	4.00%	3.50%	520,748,677	2,390,913	-	-	-	1,000.0%+
2042	6.25%	4.00%	3.50%	550,755,125	1,341,639	-	-	-	1,000.0%+
2043	6.25%	4.00%	3.50%	583,751,829	492,319	-	-	-	1,000.0%+
2044	6.25%	4.00%	3.50%	619,713,229	5,837	-	-	-	1,000.0%+
2045	6.25%	4.00%	3.50%	658,439,104	2,971	-	-	-	1,000.0%+

* Beginning/End of year (Fiscal).

Nevada Prepaid Tuition Program
Projection Based on June 30, 2020 Investment Return -100 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	4.25%

Estimated Valuation Results	
Present Value of Future Tuition and Fees	\$220,661,758
Present Value of Future Contract Payments	\$ 37,879,089
June 30, 2020 Actuarial Value of Assets	\$305,358,468
Unfunded Liability	\$(122,575,799)
Funded Status	155.5%
Year Insolvent	Never

Fiscal Year Ending June 30,	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Actuarial Value of Assets (BOY*)	Projected Tuition Payments & Refunds (Discounted to BOY*)	Other Payments	Additional Transfers from NCSTF (EOY*)	Projected Contract Payments (Discounted to BOY*)	Projected Funded Status
2021	4.25%	n/a	n/a	\$ 305,358,468	\$ 19,259,250	\$ -	-	\$ 8,546,784	155.5%
2022	4.25%	2.80%	2.80%	311,732,139	19,445,425	-	-	7,124,235	163.0%
2023	4.25%	2.80%	2.80%	314,448,938	19,468,889	-	-	5,948,931	170.6%
2024	4.25%	2.50%	2.50%	314,167,406	19,433,727	-	-	4,831,551	178.5%
2025	4.25%	4.00%	3.50%	311,828,659	18,933,122	-	-	3,790,011	187.4%
2026	4.25%	4.00%	3.50%	309,294,683	19,301,620	-	-	2,862,566	198.0%
2027	4.25%	4.00%	3.50%	305,301,993	19,012,811	-	-	2,420,008	211.3%
2028	4.25%	4.00%	3.50%	300,979,330	18,520,080	-	-	2,049,925	227.6%
2029	4.25%	4.00%	3.50%	296,600,815	17,623,473	-	-	1,689,187	247.8%
2030	4.25%	4.00%	3.50%	292,594,857	16,884,864	-	-	1,249,056	272.8%
2031	4.25%	4.00%	3.50%	288,729,809	16,195,183	-	-	900,208	304.6%
2032	4.25%	4.00%	3.50%	285,055,814	14,992,316	-	-	686,969	346.3%
2033	4.25%	4.00%	3.50%	282,257,362	14,120,872	-	-	513,127	400.7%
2034	4.25%	4.00%	3.50%	280,067,225	12,730,599	-	-	355,193	475.8%
2035	4.25%	4.00%	3.50%	279,068,720	11,838,112	-	-	195,546	579.1%
2036	4.25%	4.00%	3.50%	278,791,766	10,454,928	-	-	106,599	734.9%
2037	4.25%	4.00%	3.50%	279,852,283	9,009,277	-	-	49,562	976.3%
2038	4.25%	4.00%	3.50%	282,405,501	7,591,351	-	-	3,985	1,000.0%+
2039	4.25%	4.00%	3.50%	286,497,906	5,716,018	-	-	-	1,000.0%+
2040	4.25%	4.00%	3.50%	292,715,118	4,064,892	-	-	-	1,000.0%+
2041	4.25%	4.00%	3.50%	300,917,861	2,409,817	-	-	-	1,000.0%+
2042	4.25%	4.00%	3.50%	311,194,636	1,352,247	-	-	-	1,000.0%+
2043	4.25%	4.00%	3.50%	323,010,690	496,212	-	-	-	1,000.0%+
2044	4.25%	4.00%	3.50%	336,221,344	5,883	-	-	-	1,000.0%+
2045	4.25%	4.00%	3.50%	350,504,617	2,994	-	-	-	1,000.0%+

* Beginning/End of year (Fiscal).

Nevada Prepaid Tuition Program

Projection Based on June 30, 2020 Tuition Increases +100 Basis Points & Investment Return -100 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	4.25%

Estimated Valuation Results	
Present Value of Future Tuition and Fees	\$229,917,954
Present Value of Future Contract Payments	\$ 37,879,089
June 30, 2020 Actuarial Value of Assets	\$305,358,468
Unfunded Liability	\$ (113,319,603)
Funded Status	149.3%
Year Insolvent	Never

Fiscal Year Ending June 30,	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Actuarial Value of Assets (BOY*)	Projected Tuition Payments & Refunds (Discounted to BOY*)	Other Payments	Additional Transfers from NCSTF (EOY*)	Projected Contract Payments (Discounted to BOY*)	Projected Funded Status
2021	4.25%	n/a	n/a	\$ 305,358,468	\$ 19,259,250	\$ -	-	\$ 8,546,784	149.3%
2022	4.25%	2.80%	2.80%	311,732,139	19,445,425	-	-	7,124,235	155.9%
2023	4.25%	2.80%	2.80%	314,448,938	19,468,889	-	-	5,948,931	162.4%
2024	4.25%	2.50%	2.50%	314,167,406	19,433,727	-	-	4,831,551	169.1%
2025	4.25%	5.00%	4.50%	311,828,659	19,106,717	-	-	3,790,011	176.4%
2026	4.25%	5.00%	4.50%	309,113,711	19,661,194	-	-	2,862,566	185.1%
2027	4.25%	5.00%	4.50%	304,738,474	19,550,329	-	-	2,420,008	196.0%
2028	4.25%	5.00%	4.50%	299,831,499	19,226,696	-	-	2,049,925	209.4%
2029	4.25%	5.00%	4.50%	294,667,554	18,470,839	-	-	1,689,187	225.9%
2030	4.25%	5.00%	4.50%	289,696,053	17,866,205	-	-	1,249,056	246.2%
2031	4.25%	5.00%	4.50%	284,684,757	17,302,429	-	-	900,208	272.0%
2032	4.25%	5.00%	4.50%	279,684,544	16,172,018	-	-	686,969	305.7%
2033	4.25%	5.00%	4.50%	275,427,974	15,378,851	-	-	513,127	349.5%
2034	4.25%	5.00%	4.50%	271,636,145	13,997,963	-	-	355,193	409.6%
2035	4.25%	5.00%	4.50%	268,958,093	13,145,263	-	-	195,546	492.2%
2036	4.25%	5.00%	4.50%	266,888,733	11,723,196	-	-	106,599	616.2%
2037	4.25%	5.00%	4.50%	266,121,201	10,199,560	-	-	49,562	807.7%
2038	4.25%	5.00%	4.50%	266,849,979	8,679,353	-	-	3,985	1,000.0%+
2039	4.25%	5.00%	4.50%	269,147,032	6,598,165	-	-	-	1,000.0%+
2040	4.25%	5.00%	4.50%	273,707,194	4,737,504	-	-	-	1,000.0%+
2041	4.25%	5.00%	4.50%	280,400,902	2,835,561	-	-	-	1,000.0%+
2042	4.25%	5.00%	4.50%	289,361,868	1,606,449	-	-	-	1,000.0%+
2043	4.25%	5.00%	4.50%	299,985,024	595,161	-	-	-	1,000.0%+
2044	4.25%	5.00%	4.50%	312,113,932	7,057	-	-	-	1,000.0%+
2045	4.25%	5.00%	4.50%	325,371,418	3,591	-	-	-	1,000.0%+

* Beginning/End of year (Fiscal).



Nevada Prepaid Tuition Program

Projection Based on June 30, 2020 Tuition Increases -100 Basis Points & Investment Return +100 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	6.25%

Estimated Valuation Results	
Present Value of Future Tuition and Fees	\$186,735,412
Present Value of Future Contract Payments	\$ 35,485,584
June 30, 2020 Actuarial Value of Assets	\$305,358,468
Unfunded Liability	\$(154,108,640)
Funded Status	182.5%
Year Insolvent	Never

Fiscal Year Ending June 30,	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Actuarial Value of Assets (BOY*)	Projected Tuition Payments & Refunds (Discounted to BOY*)	Other Payments	Additional Transfers from NCSTF (EOY*)	Projected Contract Payments (Discounted to BOY*)	Projected Funded Status
2021	6.25%	n/a	n/a	\$ 305,358,468	\$ 19,105,131	\$ -	-	\$ 8,465,962	182.5%
2022	6.25%	2.80%	2.80%	317,702,937	19,290,618	-	-	7,056,865	194.5%
2023	6.25%	2.80%	2.80%	326,874,031	19,314,125	-	-	5,892,675	207.3%
2024	6.25%	2.50%	2.50%	333,492,313	19,279,326	-	-	4,785,861	221.5%
2025	6.25%	3.00%	2.50%	338,468,182	18,610,939	-	-	3,754,171	238.0%
2026	6.25%	3.00%	2.50%	343,837,127	18,795,740	-	-	2,835,496	257.8%
2027	6.25%	3.00%	2.50%	348,369,188	18,339,614	-	-	2,397,123	282.7%
2028	6.25%	3.00%	2.50%	353,203,365	17,692,991	-	-	2,030,540	313.8%
2029	6.25%	3.00%	2.50%	358,637,222	16,675,685	-	-	1,673,213	352.7%
2030	6.25%	3.00%	2.50%	365,111,922	15,824,017	-	-	1,237,244	401.5%
2031	6.25%	3.00%	2.50%	372,432,970	15,030,822	-	-	891,695	464.3%
2032	6.25%	3.00%	2.50%	380,687,208	13,780,187	-	-	680,473	547.6%
2033	6.25%	3.00%	2.50%	390,561,713	12,854,187	-	-	508,274	657.6%
2034	6.25%	3.00%	2.50%	401,854,288	11,477,380	-	-	351,834	811.0%
2035	6.25%	3.00%	2.50%	415,149,288	10,567,152	-	-	193,697	1,000.0%+
2036	6.25%	3.00%	2.50%	430,074,322	9,240,845	-	-	105,591	1,000.0%+
2037	6.25%	3.00%	2.50%	447,247,759	7,886,321	-	-	49,093	1,000.0%+
2038	6.25%	3.00%	2.50%	466,873,689	6,579,175	-	-	3,947	1,000.0%+
2039	6.25%	3.00%	2.50%	489,067,115	4,906,183	-	-	-	1,000.0%+
2040	6.25%	3.00%	2.50%	514,420,990	3,455,297	-	-	-	1,000.0%+
2041	6.25%	3.00%	2.50%	542,901,049	2,028,739	-	-	-	1,000.0%+
2042	6.25%	3.00%	2.50%	574,676,830	1,127,462	-	-	-	1,000.0%+
2043	6.25%	3.00%	2.50%	609,396,203	409,747	-	-	-	1,000.0%+
2044	6.25%	3.00%	2.50%	647,048,109	4,858	-	-	-	1,000.0%+
2045	6.25%	3.00%	2.50%	687,483,454	2,473	-	-	-	1,000.0%+

* Beginning/End of year (Fiscal).



Nevada Prepaid Tuition Program

Projection Based on June 30, 2020 Tuition Increases +25 Basis Points & Investment Return +50 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	5.75%

Estimated Valuation Results	
Present Value of Future Tuition and Fees	\$201,637,782
Present Value of Future Contract Payments	\$ 36,054,340
June 30, 2020 Actuarial Value of Assets	\$305,358,468
Unfunded Liability	\$(139,775,026)
Funded Status	169.3%
Year Insolvent	Never

Fiscal Year Ending June 30,	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Actuarial Value of Assets (BOY*)	Projected Tuition Payments & Refunds (Discounted to BOY*)	Other Payments	Additional Transfers from NCSTF (EOY*)	Projected Contract Payments (Discounted to BOY*)	Projected Funded Status
2021	5.75%	n/a	n/a	\$ 305,358,468	\$ 19,143,246	\$ -	-	\$ 8,485,952	169.3%
2022	5.75%	2.80%	2.80%	316,210,174	19,328,903	-	-	7,073,528	179.0%
2023	5.75%	2.80%	2.80%	323,745,223	19,352,399	-	-	5,906,590	189.0%
2024	5.75%	2.50%	2.50%	328,590,575	19,317,511	-	-	4,797,162	199.7%
2025	5.75%	4.25%	3.75%	331,661,170	18,863,398	-	-	3,763,035	211.9%
2026	5.75%	4.25%	3.75%	334,763,054	19,275,845	-	-	2,842,191	226.6%
2027	5.75%	4.25%	3.75%	336,633,341	19,032,493	-	-	2,402,783	244.8%
2028	5.75%	4.25%	3.75%	338,403,840	18,583,944	-	-	2,035,335	267.4%
2029	5.75%	4.25%	3.75%	340,361,907	17,726,576	-	-	1,677,164	295.6%
2030	5.75%	4.25%	3.75%	342,960,464	17,024,344	-	-	1,240,166	330.5%
2031	5.75%	4.25%	3.75%	345,988,923	16,368,567	-	-	893,801	375.2%
2032	5.75%	4.25%	3.75%	349,518,720	15,189,440	-	-	682,080	434.0%
2033	5.75%	4.25%	3.75%	354,274,513	14,341,037	-	-	509,474	511.2%
2034	5.75%	4.25%	3.75%	360,018,420	12,960,154	-	-	352,664	618.0%
2035	5.75%	4.25%	3.75%	367,387,059	12,081,417	-	-	194,154	765.9%
2036	5.75%	4.25%	3.75%	375,941,035	10,696,005	-	-	105,840	989.8%
2037	5.75%	4.25%	3.75%	386,358,545	9,239,236	-	-	49,209	1,000.0%+
2038	5.75%	4.25%	3.75%	398,855,708	7,804,425	-	-	3,956	1,000.0%+
2039	5.75%	4.25%	3.75%	413,540,915	5,890,601	-	-	-	1,000.0%+
2040	5.75%	4.25%	3.75%	431,090,208	4,199,155	-	-	-	1,000.0%+
2041	5.75%	4.25%	3.75%	451,437,288	2,495,395	-	-	-	1,000.0%+
2042	5.75%	4.25%	3.75%	474,756,052	1,403,635	-	-	-	1,000.0%+
2043	5.75%	4.25%	3.75%	500,570,181	516,307	-	-	-	1,000.0%+
2044	5.75%	4.25%	3.75%	528,806,972	6,122	-	-	-	1,000.0%+
2045	5.75%	4.25%	3.75%	559,206,900	3,116	-	-	-	1,000.0%+

* Beginning/End of year (Fiscal).



APPENDIX B- INDEPENDENT AUDITOR'S REPORT



Financial Statements
June 30, 2020 and 2019

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund

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Independent Auditor's Report

To the Board of Trustees
Nevada College Savings Plan Board
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust Fund, as of June 30, 2020 and 2019, and the changes in financial position and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of the Trust Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust Fund's internal control over financial reporting and compliance.



Reno, Nevada
Decemeber 11, 2020

As management of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), we offer readers of the Trust Fund's financial statements this narrative overview and analysis of the financial activities of the Trust Fund for the fiscal years (FY) ended June 30, 2020 and 2019.

FINANCIAL HIGHLIGHTS

The Trust Fund's financial position continued to significantly improve in fiscal year 2020.

- The Trust Fund's total assets and deferred outflows increased from \$339,535,243 in FY19 to \$349,114,886 in FY20, an increase of \$9,579,643. This represents an increase of 2.8% from the prior fiscal year. These assets are used to pay tuition benefits on behalf of contracts purchased.
- The Trust Fund's total net position in FY20 was \$141,956,920, which is an increase of \$14,210,195 from FY19. The growth is primarily due to strong investment performance.
- The Trust Fund's certified actuary reported that the funded status of the Prepaid Tuition Plan (the Plan) as of June 30, 2020 was 165.7%, utilizing a rate of return on actuarial value of assets of 4.2% per year (169.1% if the market value of assets was used). This is an increase from the funded status of 154.6% as of June 30, 2019, and the funded status of 142.0% as of June 30, 2018, and continues to be one of the highest funding ratios nationwide for a state prepaid tuition plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Trust Fund's annual report. The Trust Fund's financial report consists of: Management's Discussion and Analysis (MD&A), Basic Financial Statements including Notes to the Financial Statements, and a Compliance Section.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Trust Fund report information about the Trust Fund, which is considered an enterprise fund (proprietary fund type). Proprietary funds use the full accrual basis of accounting, similar to that used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded at the time a liability is incurred. The Statement of Net Position includes all of the Trust Fund's assets and deferred outflows and liabilities and deferred inflows and provides information about the nature and amount of its resources and the obligations to contract holders. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This Statement measures the success of the Trust Fund's operations over the past year, and can be used to determine whether the Trust Fund has successfully met all of its costs through its tuition contributions, along with other fees and charges for sales and services. The final statement is the Statement of Cash Flows, which is used to provide information about the Trust Fund's cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities.

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Management's Discussion and Analysis
June 30, 2020 and 2019

NET POSITION

Net position may serve over time as a useful indicator of financial position. The Trust Fund's net position continued to grow in FY 2020, for the eighth year in a row. The net position increased from \$127,746,725 in FY 2019 to \$141,956,920 in FY 2020, an increase of \$14,210,195 or 11.1% over the prior fiscal year. This increase is primarily due to an increase in investment performance.

The vast majority of the Trust Fund's assets, 88%, are its investments. The Trust Fund uses these assets to pay future tuition benefits for contracts purchased.

Higher Education Tuition Trust Fund Net Position

	2020	2019	2018
Assets			
Current and other assets	\$ 349,024,684	\$ 339,433,218	\$ 321,411,717
Net capital assets	23,263	40,008	56,706
Total Assets	<u>349,047,947</u>	<u>339,473,226</u>	<u>321,468,423</u>
Deferred Outflows			
Pension related	60,453	58,126	55,017
OPEB related	<u>6,486</u>	<u>3,891</u>	<u>3,625</u>
Liabilities			
Current liabilities	19,492,782	18,552,603	17,689,218
Noncurrent liabilities	<u>187,625,595</u>	<u>193,203,965</u>	<u>200,738,842</u>
Total Liabilities	<u>207,118,377</u>	<u>211,756,568</u>	<u>218,428,060</u>
Deferred Inflows			
Pension related	32,238	23,596	25,413
OPEB related	<u>7,351</u>	<u>8,354</u>	<u>7,594</u>
Net Position			
Net investment in capital assets	23,263	40,008	56,706
Unrestricted	<u>141,933,657</u>	<u>127,706,717</u>	<u>103,009,292</u>
Total Net Position	<u>\$ 141,956,920</u>	<u>\$ 127,746,725</u>	<u>\$ 103,065,998</u>

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Management's Discussion and Analysis
June 30, 2020 and 2019

CHANGE IN NET POSITION

Higher Education Tuition Trust Fund Change in Net Position

	2020	2019	2018
Operating Revenues			
Tuition contributions and other revenues	\$ 11,708,884	\$ 13,791,772	\$ 13,934,152
Operating Expenses			
Operating expenses before depreciation	11,156,226	8,027,796	11,275,605
Depreciation	16,745	16,698	16,698
Total Operating Expenses	11,172,971	8,044,494	11,292,303
Operating Income (Loss)	535,913	5,747,278	2,641,849
Nonoperating revenues and interest income	12,880,590	18,263,467	21,987,460
Contribution - State of Nevada College Savings Endowment Account	793,692	669,982	683,784
Change in Net Position	14,210,195	24,680,727	25,313,093
Net Position, July 1	127,746,725	103,065,998	77,752,905
Net Position, June 30	\$ 141,956,920	\$ 127,746,725	\$ 103,065,998

Tuition contributions and revenues in FY 2020 decreased to \$11,708,884. The 15.1% decrease is attributable to a decrease in the total number of contracts sold in FY 2020, with more of them being paid in full which decreases ongoing annual contributions, as well as a lower number of 4-year university plans being purchased overall.

Operating expenses for the Plan primarily consist of future tuition benefits, which are calculated to be \$7,239,953 on an accrued basis. Total operating expenses increased by roughly 38.9% from \$8,044,494 in FY 2019 to \$11,172,971 in FY 2020. This is mainly due to the increase in tuition benefits expense. Actuarial assumption changes were based on a Nevada Prepaid Tuition actuarial experience study performed in FY 2020, which resulted in a reduction in the overall actuarial liabilities.

The operating income (loss) above reflects the difference between contributions from new and existing participants on a cash basis versus benefit payments to educational institutions, which fulfills the purpose of the Plan, and other sundry costs. In addition, in FY 2020, the change in the actuarial accruals had a negative impact on the net position. This is shown in the decrease in the operating income (loss) from \$5,747,278 in FY 2019 to \$535,913 in FY 2020.

CAPITAL ASSET ADMINISTRATION

The Trust Fund's investment in capital assets as of June 30, 2020, amounts to \$23,263 (net of accumulated depreciation), which consists of computer equipment. Information about the Trust Fund's capital assets can be found in Note 4 to the Trust Fund's financial statements.

ECONOMIC FACTORS AND CURRENTLY KNOWN FACTS

Aside from account owners' purchases of contracts, the primary source of revenue for the Plan is investment income. The target investment allocation includes domestic public equities of 50%, domestic fixed income securities of 30%, and domestic covered calls of 20%. The Plan continues to invest in an equity portfolio with passively managed large, mid, and small cap U.S. equity mutual funds at Vanguard, a fixed income portfolio with Chicago Equity Partners and a passively managed covered calls mutual fund with Glenmede. The rate of return on a market value basis was 4.24% while the rate of return on the actuarial value of assets for year ended June 30, 2020 was 6.58%.

Based on a price inflation rate of 1.75% and revised 5-year capital market expectations for those asset classes, the Board approved the assumed rate of return of the Plan's investments is 5.25% based on analyses from its investment consultant. This assumed rate was used by the Board's actuary in computing the Plan's funded status of 165.7%. The Plan's investments are intended to provide broad exposure to the U.S. equities and investment-grade fixed income markets. Therefore, projected returns are subject to actual market activity and volatility in the markets.

The College Savings Endowment Account continues to transfer funds to the Trust Fund to cover administrative costs of the State Treasurer's Office to administer and manage the Prepaid Tuition Plan.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Trust Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State of Nevada Treasurer's Office, Nevada Prepaid Tuition Program, 555 E. Washington Ave., Suite 4600, Las Vegas, NV 89101.

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Statements of Net Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 4,850,537	\$ 7,949,934
Investment income receivable	386,758	388,108
Prepaid items	119	116
Due from State of Nevada	19,967	74,340
Tuition contributions receivable, current portion	8,506,085	8,865,168
Investments	307,125,074	292,418,805
Total current assets	320,888,540	309,696,471
Noncurrent assets		
Capital assets, net	23,263	40,008
Other noncurrent assets		
Tuition contributions receivable	28,136,144	29,736,747
Total noncurrent assets	28,159,407	29,776,755
Total assets	349,047,947	339,473,226
Deferred outflows of resources		
Pension related	60,453	58,126
OPEB related	6,486	3,891
Total deferred outflows	66,939	62,017
Total assets and deferred outflows	349,114,886	339,535,243
Liabilities		
Current liabilities		
Accounts payable	173,493	139,077
Accrued salaries and benefits	28,199	28,729
Due to State of Nevada	109,455	32,110
Due to other governments	-	1,952
Tuition benefits payable, current portion	19,181,635	18,350,735
Total current liabilities	19,492,782	18,552,603
Noncurrent liabilities		
Tuition benefits payable	187,163,455	192,754,039
Net pension liability	341,136	325,340
Net OPEB liability	121,004	124,586
Total noncurrent liabilities	187,625,595	193,203,965
Total liabilities	207,118,377	211,756,568
Deferred inflows of resources		
Pension related	32,238	23,596
OPEB related	7,351	8,354
Total deferred inflows	39,589	31,950
Total liabilities and deferred inflows	207,157,966	211,788,518
Net Position		
Net investment in capital assets	23,263	40,008
Unrestricted	141,933,657	127,706,717
Total net position	\$ 141,956,920	\$ 127,746,725

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Charges for sales and services	\$ 77,400	\$ 92,600
Tuition contributions	11,631,484	13,699,172
Total operating revenues	<u>11,708,884</u>	<u>13,791,772</u>
Operating Expenses		
Personnel costs	228,370	201,995
Contract and other administrative services	726,387	624,640
Tuition benefits expense	7,239,953	4,679,863
Refunds	2,961,516	2,521,298
Depreciation	16,745	16,698
Total operating expenses	<u>11,172,971</u>	<u>8,044,494</u>
Operating Income	<u>535,913</u>	<u>5,747,278</u>
Nonoperating Revenues		
Interest, dividends and other investment income	5,324,390	5,162,880
Net increase in fair value of investments	7,556,200	13,100,587
Contribution from the State of Nevada General Fund - College Savings Endowment Account	793,692	669,982
Total nonoperating revenues	<u>13,674,282</u>	<u>18,933,449</u>
Change in Net Position	14,210,195	24,680,727
Net Position, Beginning of Year	<u>127,746,725</u>	<u>103,065,998</u>
Net Position, End of Year	<u><u>\$ 141,956,920</u></u>	<u><u>\$ 127,746,725</u></u>

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Receipts for sales and services	\$ 77,400	\$ 92,600
Tuition contributions received	13,591,170	15,869,029
Payments to suppliers for good and services	(562,205)	(642,287)
Payments to employees	(213,972)	(208,978)
Payments for tuition benefits	(11,999,637)	(11,366,735)
Payments of refunds	(2,961,516)	(2,521,298)
Net Cash from (used for) Operating Activities	<u>(2,068,760)</u>	<u>1,222,331</u>
Noncapital Financing Activities		
Contribution from the State of Nevada General Fund - College Savings Endowment Account	<u>793,692</u>	<u>669,982</u>
Investing Activities		
Proceeds from sales or maturities of investments	3,205,939	29,282,179
Purchase of investments	(10,356,009)	(33,904,769)
Interest, dividends and other investment income received	<u>5,325,740</u>	<u>5,147,377</u>
Net Cash from (used for) Investing Activities	<u>(1,824,329)</u>	<u>524,787</u>
Net Change in Cash and Cash Equivalents	(3,099,397)	2,417,100
Cash and Cash Equivalents, Beginning of Year	<u>7,949,934</u>	<u>5,532,834</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,850,537</u></u>	<u><u>\$ 7,949,934</u></u>

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to net cash from		
Operating Activities		
Operating income	\$ 535,913	\$ 5,747,278
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	16,745	16,698
Changes in		
Due from State of Nevada	54,373	(35,462)
Tuition contributions receivable	1,959,686	2,169,857
Accounts payable and accrued liabilities	33,886	31,840
Due to State of Nevada	77,345	(11,140)
Due to other governments	(1,952)	984
Net pension liability	15,796	(8,877)
Net OBEP liability	(3,582)	2,573
PERS deferred outflows of resources	(4,922)	(3,375)
PERS deferred inflows of resources	7,639	(1,057)
Tuition benefits payable	<u>(4,759,684)</u>	<u>(6,686,872)</u>
Net Cash from (used for) Operating Activities	<u>\$ (2,068,760)</u>	<u>\$ 1,222,331</u>
Noncash Investing Activities		
Net increase in fair value of investments	<u>\$ 7,556,200</u>	<u>\$ 13,100,587</u>

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity and Purpose

The Trust Fund operates under Nevada Revised Statutes (NRS) 353B, Prepayment of Tuition at Institutions of Higher Learning, which was adopted by the Nevada Legislature in 1997. The Trust Fund is administered by the Office of the State Treasurer under the direction of a five-member Board, with five voting members.

The purpose of the Trust Fund's program is to provide a simple and convenient way for Nevada families to save for a college education through the advance payment of tuition. A purchaser enters into a contract for the future payment of tuition for a specified beneficiary. When the beneficiary enrolls in college, the program will pay the contract benefits. The beneficiary has six years after the projected college entrance date to utilize the benefits of the contract. Exceptions are granted for military or religious service. The contract benefits are based on in-state rates for Nevada public colleges, but can be used towards costs at any accredited, nonprofit, private or out-of-state college.

The Trust Fund completed its twenty-second enrollment period on April 30, 2020 with 517 new enrollments. The Trust Fund also had 659 removed contracts for a total active enrollment of 12,163 at June 30, 2020.

The Trust Fund completed its twenty-first enrollment period on April 30, 2019 with 669 new enrollments. The Trust Fund also had 805 removed contracts for a total active enrollment of 12,305 at June 30, 2019.

Measurement Focus and Basis of Accounting

The Trust Fund is an enterprise fund (proprietary fund type) of the State of Nevada and thus is included in the State of Nevada's Comprehensive Annual Financial Report. The accompanying financial statements present only the Trust Fund and are not intended to present fairly the financial position of the State of Nevada, the changes in its financial position or its cash flows in conformity with GAAP.

Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet operating objectives. The financial statements for the Trust Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable are those similar to business in the private sector.

Cash and Cash Equivalents

Cash and cash equivalents include short-term highly liquid investments (with maturities of three months or less when purchased) that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes of value. Such amounts include the Trust Fund's cash pooled with the State Treasurer and money market mutual funds.

Custodian and Transfer Agent

BNY Mellon is the custodian and transfer agent for certain Trust Fund investments.

Revenue Recognition

Contributions are recognized over the course of the contract as the payments progress.

Investment Valuation and Income Recognition

Investments are reported at fair value as determined by quoted or observable market prices. Fair value is the price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The investments are marked to market daily.

Security transactions are accounted for on the trade date (date order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Dividends are recorded on the ex-dividend date.

Tuition Contributions Receivable

Tuition contributions receivable in the Trust Fund represents the actuarially determined present value of future installment payments anticipated from contract holders.

Capital Assets

Capital assets are recorded at cost and consist of assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated on a straight-line basis over estimated useful lives of four to ten years. The cost of repairs and maintenance that do not materially extend the life of an asset are not capitalized.

Tuition Benefits Payable

The Trust Fund records tuition benefits payable at the actuarial present value of its future tuition obligation, which is adjusted for the effects of projected tuition and fee increases and termination of contracts.

Net Position Classifications

In the financial statements, net position is classified and displayed in three components:

1. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets after adding back the unspent portion of these borrowings.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors (including bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – Net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Note 2 - Stewardship and Compliance

Compliance with Nevada Revised Statutes and Administrative Code

The Trust Fund conformed to all significant statutory constraints on its financial administration during the year.

Note 3 - Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

Of the \$4,850,537 and \$7,949,934 cash and cash equivalents at June 30, 2020 and 2019, respectively, \$3,638,398 and \$7,672,086 represents the Trust Fund’s investment in the State of Nevada’s external investment pool.

The Trust Fund is an internal participant in the external investment pool maintained by the Treasurer of the State of Nevada. The external investment pool is not registered with the SEC as an investment company. The State of Nevada has not provided or obtained any legally binding guarantees during the period to support the value of the shares.

The Trust Fund receives a prorated share of the earnings from its participation in the investment pool based on daily cash balances. Due to the nature of the investment pool, it is not possible to separately identify any specific investment as being that of the Trust Fund. Instead, the Trust Fund owns a proportionate share of each investment, based on the Trust Fund’s participation percentage in the investment pool.

Investments

The State Treasurer serves as the administrator to the Trust Fund. The Trust Fund's assets are managed in accordance with the Trust Fund's investment objectives and policies, as provided in NRS 353B.160.1. Authorized investments are as follows:

- A bond, note, debenture or other valid obligation that is issued by the Treasury of the United States, or other security that is issued by an agency or instrumentality of the United States or that is fully guaranteed by the United States in the Federal Farm Credit Bank, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A mortgage-backed security that is issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- "AAA" rated collateralized mortgage obligations that are issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A bond, note, certificate or other general obligation of the State of Nevada, or of a county, city, general improvement district or school district of the State of Nevada;
- "A" or better rated corporate bonds of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States. The total amount invested in such bonds must not exceed 50% of the book value of the total fixed income investments;
- "A-1", "P-1", "F-1" or better rated commercial paper;
- "AAA" rated commercial mortgage-backed securities;
- "AAA" rated asset-backed securities financing credit cards, auto, manufactured housing, or student loans; "A" rated money-market mutual funds that meet the criteria set forth in statute. The total dollar amount invested in such mutual funds must not exceed 20% of the total dollar amount of the Trust Fund that is invested;
- A covered call or put option on securities that are traded on one or more of the regulated exchanges in the United States;
- A pooled or commingled real estate fund or a real estate security that is managed by a corporate trustee or by an investment advisory firm that is registered with the Securities and Exchange Commission. The total book value of this type of investment must not at any time be greater than 5% of the total book value of all investments of the Trust Fund;
- Common or preferred stock of corporations that have a total market value of not less than \$50,000,000. The maximum investment in stock is no greater than 60% of the book value of the total investments of the Trust Fund. Except for investments made pursuant to the final authorized investment below, the total amount invested in a single corporation is not greater than 3% of the total assets of the Trust Fund and not greater than 5% of the outstanding stock of a single corporation; and
- Mutual funds or common trust funds that consist of any combination of the investments listed above.

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June 30, 2020 and 2019

The Trust Fund categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Trust Fund does not have any investments that are measured using Level 3 inputs.

As of June 30, 2020, the Trust Fund had the following investments and level inputs:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments				
Mutual funds				
Index funds	\$ 160,630,748	\$ 160,630,748	\$ -	\$ -
Covered calls	58,799,881	58,799,881	-	-
U.S. Treasury notes	47,139,611	47,139,611	-	-
U.S. agencies	28,787,687	-	28,787,687	-
Corporate notes	11,767,147	-	11,767,147	-
	<u>\$ 307,125,074</u>	<u>\$ 266,570,240</u>	<u>\$ 40,554,834</u>	<u>\$ -</u>

As of June 30, 2019, the Trust Fund had the following investments and level inputs:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments				
Mutual funds				
Index funds	\$ 152,756,019	\$ 152,756,019	\$ -	\$ -
Covered calls	58,574,069	58,574,069	-	-
U.S. Treasury notes	45,954,683	45,954,683	-	-
U.S. agencies	31,844,938	-	31,844,938	-
Corporate notes	3,289,096	-	3,289,096	-
	<u>\$ 292,418,805</u>	<u>\$ 257,284,771</u>	<u>\$ 35,134,034</u>	<u>\$ -</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued at fair value based on the observable market prices of the underlying assets held by the pool or fund less liabilities.

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Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust Fund's investment policies address interest rate risk by providing for an asset allocation plan that gives appropriate consideration to an average investment horizon of 3 to 18 years, while taking into consideration current and near-term liquidity needs.

As of June 30, 2020, the Trust Fund had the following investments and maturities that are subject to interest rate risk:

	Fair Value	Maturities, in Years			
		Less Than 1	1-5	6-10	Greater Than 10
Investments					
Corporate notes	\$ 11,767,147	\$ 1,390,732	\$ 3,747,618	\$ 6,347,242	\$ 281,555
U.S. agencies	28,787,687	-	2,031,587	1,421,245	25,334,855
U.S. Treasury notes	47,139,611	-	25,584,889	10,049,850	11,504,872
	<u>\$ 87,694,445</u>	<u>\$ 1,390,732</u>	<u>\$ 31,364,094</u>	<u>\$ 17,818,337</u>	<u>\$ 37,121,282</u>

As of June 30, 2019, the Trust Fund had the following investments and maturities that are subject to interest rate risk:

	Fair Value	Maturities, in Years			
		Less Than 1	1-5	6-10	Greater Than 10
Investments					
Corporate notes	\$ 3,289,096	\$ 474,232	\$ 2,345,358	\$ 210,871	\$ 258,635
U.S. agencies	31,844,938	-	1,693,940	1,564,202	28,586,796
U.S. Treasury notes	45,954,683	-	27,243,148	10,188,314	8,523,221
	<u>\$ 81,088,717</u>	<u>\$ 474,232</u>	<u>\$ 31,282,446</u>	<u>\$ 11,963,387</u>	<u>\$ 37,368,652</u>

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Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Trust Fund. At June 30, 2020, the Trust Fund's investments were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor's rating scale (at fair value) as of:

	Fair Value	Credit Quality Ratings				
		AAA	AA	A	BBB	Unrated
Investments						
Corporate notes	\$ 11,767,147	\$ -	\$ 1,321,341	\$ 10,153,281	\$ 292,525	\$ -
U.S. agencies	28,787,687	-	28,536,853	-	-	250,834
	<u>\$ 40,554,834</u>	<u>\$ -</u>	<u>\$ 29,858,194</u>	<u>\$ 10,153,281</u>	<u>\$ 292,525</u>	<u>\$ 250,834</u>

At June 30, 2019, the Trust Fund's investments were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor's rating scale (at fair value) as of:

	Fair Value	Credit Quality Ratings				
		AAA	AA	A	BBB	Unrated
Investments						
Corporate notes	\$ 3,289,096	\$ -	\$ 1,247,881	\$ 1,749,880	\$ 291,335	\$ -
U.S. agencies	31,844,938	-	31,550,743	-	-	294,195
	<u>\$ 35,134,034</u>	<u>\$ -</u>	<u>\$ 32,798,624</u>	<u>\$ 1,749,880</u>	<u>\$ 291,335</u>	<u>\$ 294,195</u>

The ratings presented above may have differed if an equivalent national rating organization was utilized.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2020, the following investments exceeded 5% of the Trust Fund's total investments:

	Fair Value	Percentage
Federal Home Loan Mortgage Corp - Asset Backed Mortgage Security	\$ 17,593,701	5.73%

At June 30, 2019, the following investments exceeded 5% of the Trust Fund's total investments:

	Fair Value	Percentage
Federal Home Loan Mortgage Corp - Asset Backed Mortgage Security	\$ 20,725,671	7.09%

Other Risk

The Trust Fund invests in various equity mutual funds, including at June 30, 2020 and 2019, when equity mutual funds comprised approximately 71.45% and 72.27% of total investments. Equity mutual funds are exposed to other risks such as market risks. Due to the level of risk associated with equity mutual funds, it is at least reasonably possible that changes in the values of equity mutual funds will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Note 4 - Capital Assets

The following schedule summarizes the changes in capital assets for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets				
Computer equipment	\$ 173,374	\$ -	\$ (5,349)	\$ 168,025
Less accumulated depreciation	(133,366)	(16,745)	5,349	(144,762)
Capital Assets, Net	<u>\$ 40,008</u>	<u>\$ (16,745)</u>	<u>\$ -</u>	<u>\$ 23,263</u>

The following schedule summarizes the changes in capital assets for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital Assets				
Computer equipment	\$ 173,374	\$ -	\$ -	\$ 173,374
Less accumulated depreciation	(116,668)	(16,698)	-	(133,366)
Capital Assets, Net	<u>\$ 56,706</u>	<u>\$ (16,698)</u>	<u>\$ -</u>	<u>\$ 40,008</u>

Note 5 - Noncurrent Liabilities

Tuition Benefits Payable

Included in noncurrent liabilities is the Trust Fund's tuition benefits obligation based upon the actuarial present value (APV) of the future tuition obligations and administrative expenses. This amount reflects the present value of estimated tuition benefits and administrative expenses that will be paid in future years. The present value calculation includes the effects of projected tuition and fee increases and termination of contracts.

	June 30, 2020	June 30, 2019
APV of the Future Tuition Obligation	\$ 206,345,090	\$ 211,104,774
Net Position Available	348,302,010	338,851,499
Net Position as a Percentage of Tuition Benefits Obligation	168.80%	160.51%

The following assumptions were used in the actuarial valuation for fiscal year 2020:

- Investment Rates: The investment yield assumption is 5.25% per year, which is the same assumption used in the June 30, 2019 actuarial report.
- Tuition Growth Assumptions:

Fiscal Year Ended	Universities	Community Colleges
2021-2022	2.80%	2.80%
2022-2023	2.80%	2.80%
2023-2024	2.50%	2.50%
2024-2025+	4.00%	3.50%

The following assumptions were used in the actuarial valuation for fiscal year 2019:

- Investment Rates: The investment yield assumption is 5.25% per year, which is a different assumption used than the June 30, 2018 actuarial report.
- Tuition Growth Assumptions:

Fiscal Year Ended	Universities	Community Colleges
2020-2021	4.00%	4.00%
2021-2022	2.80%	2.80%
2022-2023	2.80%	2.80%
2023-2024+	4.50%	3.75%

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Changes in the Trust Fund's noncurrent liabilities at June 30, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Tuition benefits payable	\$ 211,104,774	\$ 5,592,539	\$ (10,352,223)	\$ 206,345,090	\$ 19,181,635

Changes in the Trust Fund's noncurrent liabilities at June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
Tuition benefits payable	\$ 217,791,646	\$ 9,896,645	\$ (16,583,517)	\$ 211,104,774	\$ 18,350,735

Note 6 - Tuition Contributions and Tuition Benefits Expense

The tuition contributions of \$11,631,484 and \$13,699,172 and the tuition benefits expense of \$7,239,953 and \$4,679,863 on the Statement of Revenues, Expenses and Changes in Net Position represent the annual accrual of contributions of \$(1,959,686) and \$(2,169,857) and benefit expenses of \$(4,759,686) and \$(6,686,872) for the years ended June 30, 2020 and 2019, respectively, as determined by the actuarial valuation and adjusted by the actual participant contributions of \$13,591,170 and \$15,869,029 and tuition payments of \$11,999,639 and \$11,366,735 for the fiscal years.

Note 7 - Pension Plan and Other Post-Employment Benefits

Employees of the Trust Fund are employees of the State of Nevada and the Nevada Legislature created various plans to provide benefits to qualified employees of the State.

Pension Plan – The employees participate in a cost-sharing, multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada (PERS). PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PERS, information relating to PERS is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2020 and 2019.

Other Post-Employment Benefits (OPEB) – The employees participate in a cost-sharing, multiple-employer, defined benefit postemployment plan administered by the Public Employees' Benefits Program of the State of Nevada (PEBP). PEBP provides group health and life insurance benefits to plan members, both active and retired, and their dependents. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PEBP, information relating to PEBP is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2020 and 2019.

Note 8 - Risk Management

As with all governmental entities, the Trust Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. Such losses, if any, are accounted for in the State of Nevada's various insurance funds. The Trust Fund is responsible for premium charges payable to the State of Nevada for coverage in the self-funded programs. There have been no material settlements related to the Trust Fund in any of the past three years.



**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees
Nevada College Savings Plan Board
Carson City, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Trust Fund's basic financial statements and have issued our report thereon dated December 11, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust Fund's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Reno, Nevada
December 11, 2020

APPENDIX C- MEKETA INVESTMENT GROUP PERFORMANCE REVIEW

Nevada 529 College Savings Programs

September 17, 2020

2Q 2020 Nevada Prepaid
Tuition Plan Quarterly Report

Introduction

The Nevada Prepaid Tuition Plan Portfolio had an aggregate value of \$308.7 million as of June 30, 2020. During the latest quarter, the Total Portfolio increased in value by \$35.3 million, and over the past 1-year period the Total Portfolio increased in value by \$15.6 million.

Global GDP experienced a historic decline of (4.9%) in the second quarter of 2020 due to the COVID-19 pandemic and the severe economic restrictions to control the spread. Global central banks took aggressive policy actions as signs of economic deterioration emerged due to the restrictions put in place, with measures that included cutting of policy rates, deploying emergency stimulus through expanded quantitative easing, liquidity programs to support funding markets, targeting refinancing operations, and forward guidance commitments to keep monetary policy accommodative until the pandemic is thoroughly under control. The US labor picture improved over the quarter, as the economy slowly reopened, but unemployment levels remain historic, as the US unemployment rate was 11.1% at the end of the June 2020. US Small Cap Equity led the market in the second quarter with a 25.4% return, as the consumer discretionary and energy sectors exhibited strong rebounds from the first quarter fallout.

Asset Allocation Trends

With respect to policy targets, the Total Portfolio ended the latest quarter overweight Large Cap Equity and underweight Fixed Income, Small Cap Equity, Mid Cap Equity and Covered Calls. All asset class weights remain within their policy target ranges.

Recent Investment Performance

The Total Portfolio outperformed its policy benchmark over the most recent quarter by 18 basis points, net of fees. The portfolio returned 4.3% after fees over the 1-year period, outperforming its benchmark by 1.3%. The portfolio also outperformed over the 3-year and 5-year periods by 23 and 7 basis points, respectively.

Recent Investment Performance

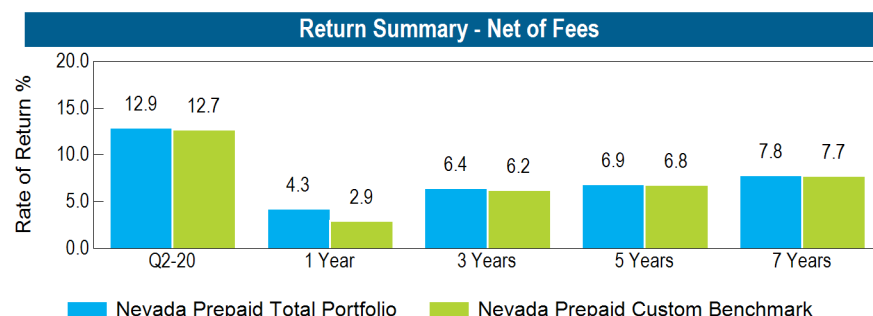
	Quarter	1 Year	3 Year	5 Year
Total Portfolio (Gross of Fees) ³	12.97	4.47	6.57	7.07
Total Portfolio (Net of Fees) ²	12.92	4.27	6.45	6.89
Policy Benchmark ¹	12.74	2.95	6.22	6.82
Excess Return (Net)	0.18	1.32	0.23	0.07
Public DB \$250M-\$1B Peer Median	12.49	3.14	5.84	5.78

¹ Policy Benchmark consists of 39% S&P 500 Index, 30% BBgBarc US Aggregate A+ Bond Index, 20% CBOE BXM Index, 7% S&P Midcap 400 Index, 4% S&P Smallcap 600 Index as of 9/30/2014. Prior to 9/30/2014 Policy Benchmark consisted of 45% S&P 500 Index, 43% BBgBarc US Aggregate A+ Bond Index, 8% S&P Midcap 400 Index, 4% S&P Small cap 600 Index.

² Total fees for the Chicago Equity Partners Fixed Income Portfolio approximately 17 bps annually.

³ Total Gross of Fees amounts estimated using following manager fee schedule: Vanguard LCE = 4 bps, Vanguard MCE & SCE = 8 bps, Glenmede = 64 bps, CEP = 17 bps.

Performance and Market Values | As of June 30, 2020



Summary of Cash Flows		
	Second Quarter	One Year
Beginning Market Value	\$273,427,561	\$293,084,511
Net Cash Flow	-\$225,211	\$2,596,013
Net Investment Change	\$35,521,948	\$13,043,774
Ending Market Value	\$308,724,298	\$308,724,298

	Market Value	3 Mo	1 Yr	3 Yrs	5 Yrs	7 Yrs
Nevada Prepaid Total Portfolio	308,724,298	12.9	4.3	6.4	6.9	7.8
<i>Nevada Prepaid Custom Benchmark¹</i>		<i>12.7</i>	<i>2.9</i>	<i>6.2</i>	<i>6.8</i>	<i>7.7</i>
<i>InvMetrics Public DB \$250mm-\$1B Net Median</i>		<i>12.5</i>	<i>3.1</i>	<i>5.8</i>	<i>5.8</i>	<i>6.8</i>
Public Equity	160,630,740	21.1	4.2	8.8	9.5	11.3
Vanguard - Large Cap Equity	130,779,234	20.5	7.5	10.7	10.7	12.1
<i>S&P 500</i>		<i>20.5</i>	<i>7.5</i>	<i>10.7</i>	<i>10.7</i>	<i>12.1</i>
Vanguard - Mid Cap Equity	20,190,460	24.0	-6.8	2.3	5.2	8.0
<i>S&P 400 MidCap</i>		<i>24.1</i>	<i>-6.7</i>	<i>2.4</i>	<i>5.2</i>	<i>8.0</i>
Vanguard - Small Cap Equity	9,661,046	22.1	-11.2	0.6	4.5	7.6
<i>S&P 600 SmallCap</i>		<i>21.9</i>	<i>-11.3</i>	<i>0.6</i>	<i>4.5</i>	<i>7.6</i>
Fixed Income Composite	89,293,677	0.7	9.3	5.1	3.8	3.4
Mesirow ²	89,293,677	0.7	9.3	5.1	3.8	3.4
<i>BBgBarc US Aggregate A+ TR</i>		<i>1.7</i>	<i>8.8</i>	<i>5.2</i>	<i>4.1</i>	<i>3.7</i>
Covered Calls	58,799,881	12.9	-2.3	2.1	3.9	--
Glenmede Secured Options	58,799,881	12.9	-2.3	2.1	3.9	--
<i>CBOE S&P 500 BuyWrite USD</i>		<i>9.1</i>	<i>-10.3</i>	<i>-0.2</i>	<i>3.0</i>	<i>--</i>

¹ Policy Benchmark consists of 39% S&P 500 Index, 30% BBgBarc US Aggregate A+ Bond Index, 20% CBOE BXM Index, 7% S&P Midcap 400 Index, 4% S&P Smallcap 600 Index as of 9/30/2014. Prior to 9/30/2014 Policy Benchmark consisted of 45% S&P 500 Index, 43% BBgBarc US Aggregate A+ Bond Index, 8% S&P Midcap 400 Index, 4% S&P Small cap 600 Index.

² Mesirow replaced Chicago Equity Partners as of 06/01/2020. Total fees for Mesirow Fixed Income Portfolio approximately 17 bps annually.

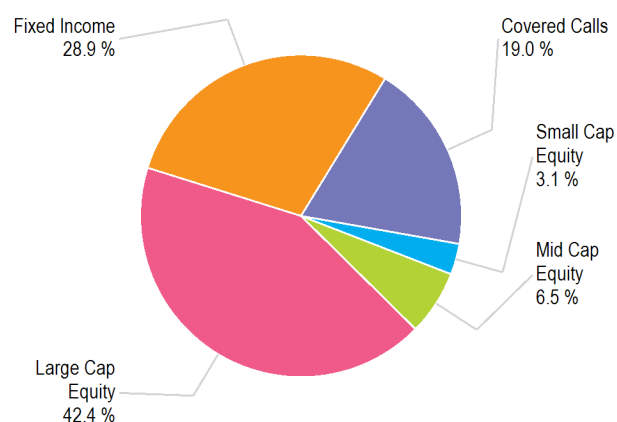
Actual v. Target Allocation | As of June 30, 2020

With respect to policy targets, the Total Portfolio ended the latest quarter underweight Fixed Income and overweight Equities. Within Domestic Equity, Small cap and Mid cap were underweight their target allocation, while Large cap equity was overweight its target allocation. Fixed Income is currently 1.1% below its 30% target while the Covered Calls asset class was underweight its 20% target allocation.

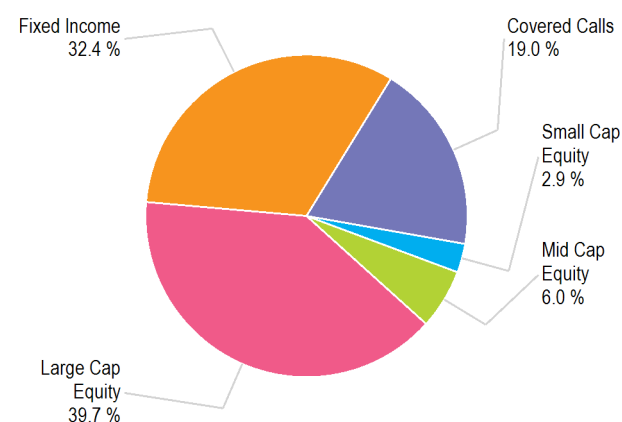
Asset Allocation vs. Target						
	Current	Current	Policy	Difference ¹	Policy Range	Within Range
Small Cap Equity	\$9,661,046	3.1%	4.0%	-0.9%	1.0% - 7.0%	Yes
Mid Cap Equity	\$20,190,460	6.5%	7.0%	-0.5%	2.0% - 12.0%	Yes
Large Cap Equity	\$130,779,234	42.4%	39.0%	3.4%	34.0% - 44.0%	Yes
Fixed Income	\$89,293,677	28.9%	30.0%	-1.1%	25.0% - 35.0%	Yes
Covered Calls	\$58,799,881	19.0%	20.0%	-1.0%	15.0% - 25.0%	Yes
Total	\$308,724,298	100.0%	100.0%			

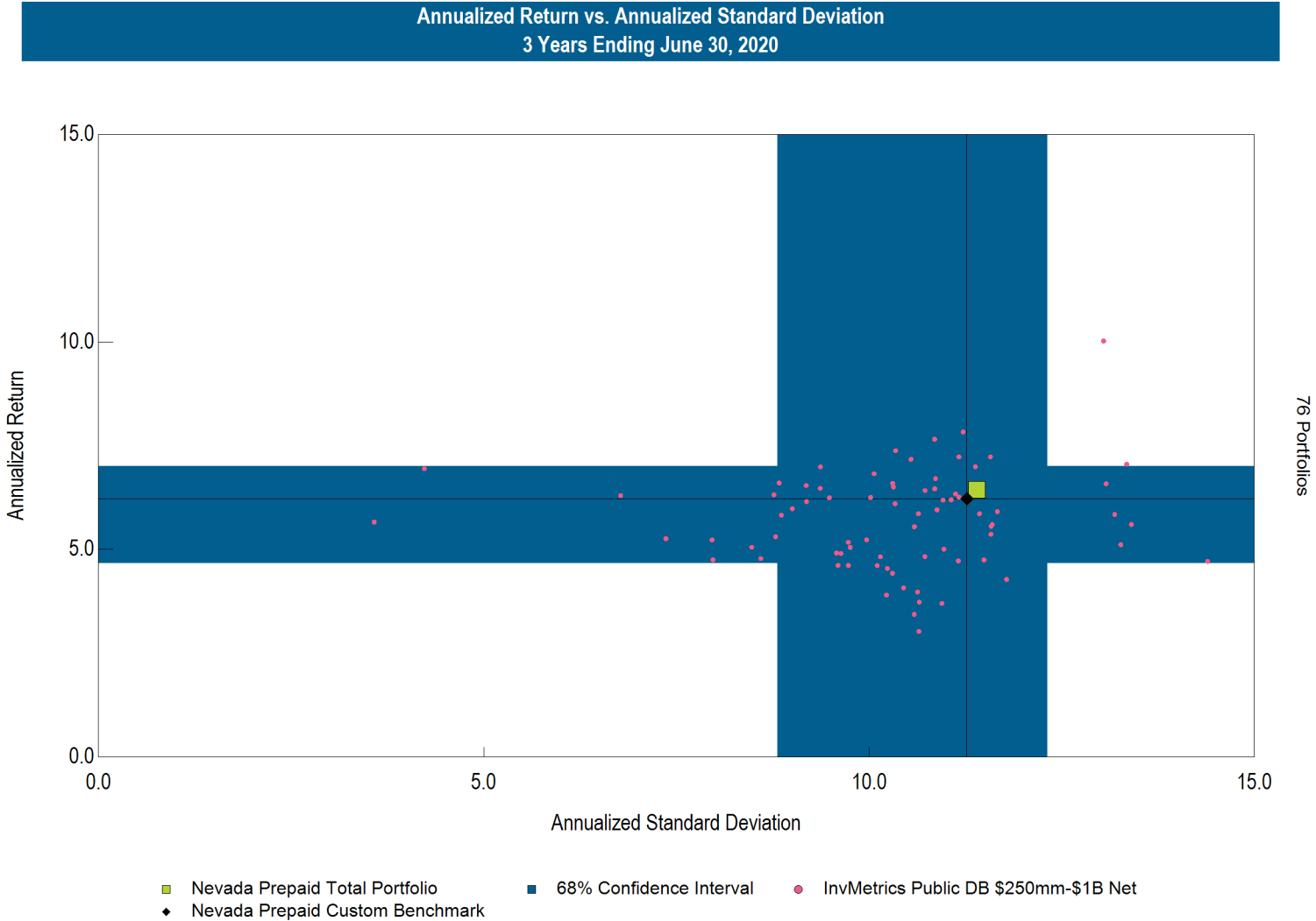
¹ Difference between Policy and Current Allocation

Asset Allocation as of June 30, 2020



Asset Allocation as of March 31, 2020





Manager Performance - Net of Fees | As of June 30, 2020

	Market Value (\$)	QTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank
Vanguard - Large Cap Equity	130,779,234	20.5	45	7.5	23	10.7	20	10.7	12
<i>S&P 500</i>		<i>20.5</i>	<i>46</i>	<i>7.5</i>	<i>22</i>	<i>10.7</i>	<i>18</i>	<i>10.7</i>	<i>11</i>
Excess Return		0.0		0.0		0.0		0.0	
Vanguard - Mid Cap Equity	20,190,460	24.0	40	-6.8	49	2.3	50	5.2	22
<i>S&P 400 MidCap</i>		<i>24.1</i>	<i>40</i>	<i>-6.7</i>	<i>49</i>	<i>2.4</i>	<i>48</i>	<i>5.2</i>	<i>21</i>
Excess Return		-0.1		-0.1		-0.1		0.0	
Vanguard - Small Cap Equity	9,661,046	22.1	57	-11.2	47	0.6	37	4.5	18
<i>S&P 600 SmallCap</i>		<i>21.9</i>	<i>61</i>	<i>-11.3</i>	<i>48</i>	<i>0.6</i>	<i>37</i>	<i>4.5</i>	<i>18</i>
Excess Return		0.2		0.1		0.0		0.0	
Mesirow	89,293,677	0.7	99	9.3	16	5.1	52	3.8	78
<i>BBgBarc US Aggregate A+ TR</i>		<i>1.7</i>	<i>97</i>	<i>8.8</i>	<i>32</i>	<i>5.2</i>	<i>48</i>	<i>4.1</i>	<i>64</i>
Excess Return		-1.0		0.5		-0.1		-0.3	
Glenmede Secured Options	58,799,881	12.9	28	-2.3	61	2.1	47	2.6	49
<i>CBOE S&P 500 BuyWrite USD</i>		<i>9.1</i>	<i>65</i>	<i>-10.3</i>	<i>97</i>	<i>-0.2</i>	<i>77</i>	<i>3.0</i>	<i>44</i>
Excess Return		3.8		8.0		2.3		-0.4	

Peer group percentile rankings calculated using Morningstar peer groups.

Vanguard: The three passive Vanguard equity funds all performed roughly in-line with their benchmarks. This performance is within expectations for passive mandates.

Glenmede: The Plan's Covered Calls manager returned 12.9% during the most recent quarter, outperforming its benchmark by 3.8% and ranking in the 28th percentile of its peer group. Over the 1- and 3-year periods, the Covered Calls manager outperformed the benchmark by 8.0% and 2.3% respectively.

Mesirow replaced Chicago Equity Partners on 06/01/2020. The combined performance of the two fixed income managers underperformed its benchmark, the BBgBarc US Aggregate A or Better index, over the quarter with a 0.7% return which ranked in the 99th percentile of its peer group.

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

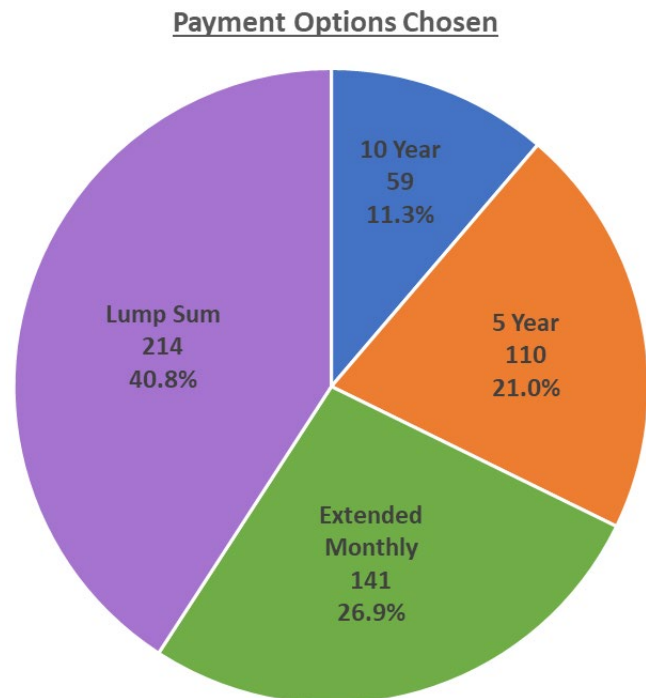
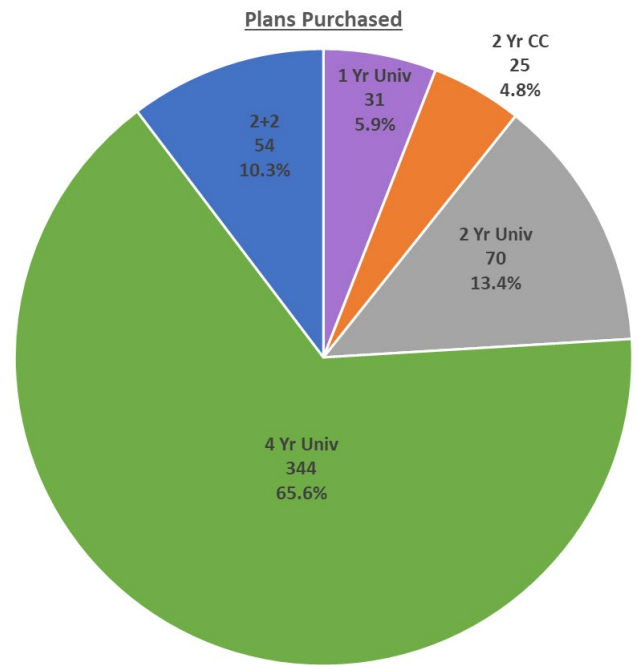
CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD - LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM," "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

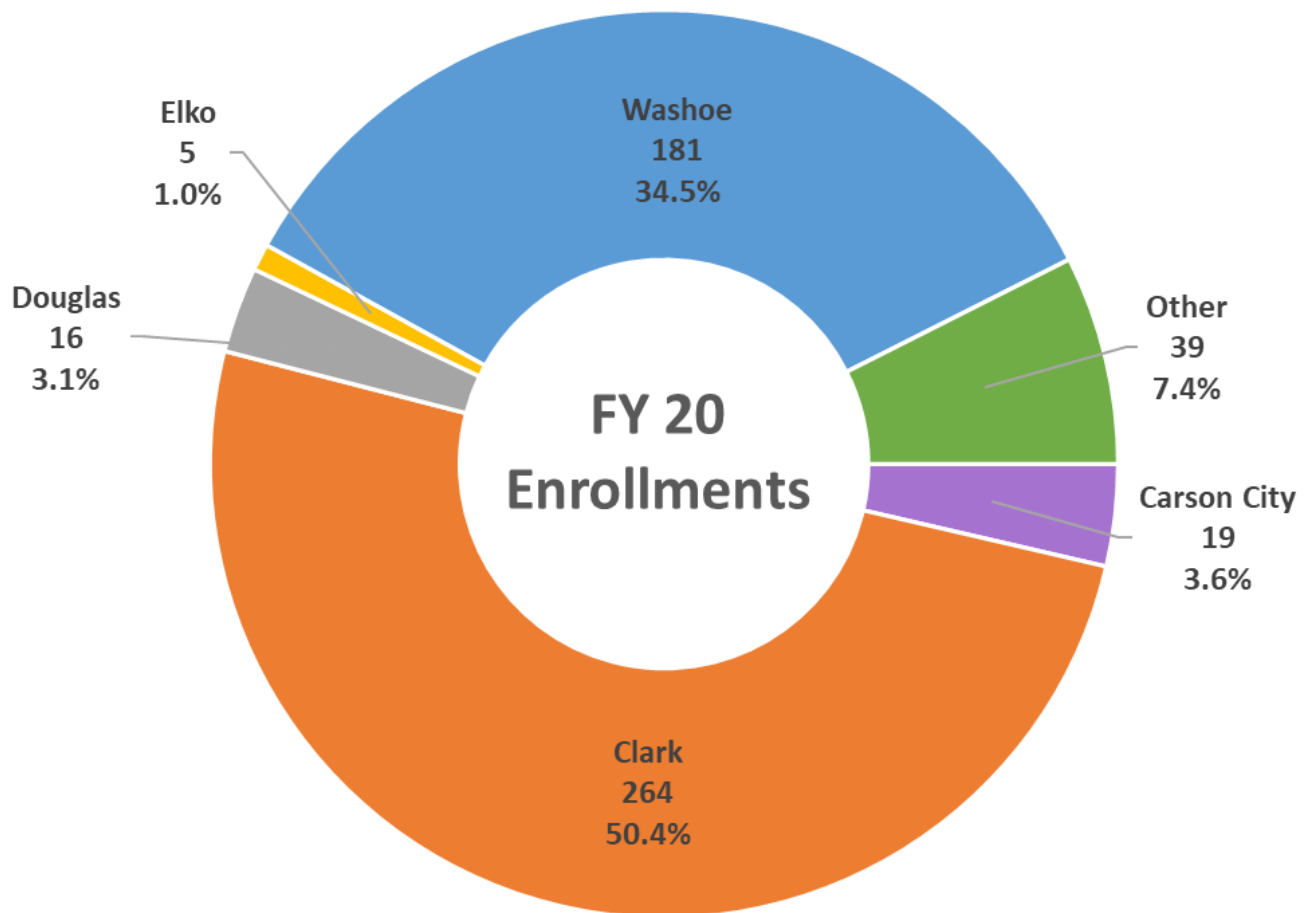
APPENDIX D- ENROLLMENT STATISTICAL CHARTS

NEW ENROLLMENTS FISCAL YEAR 2020

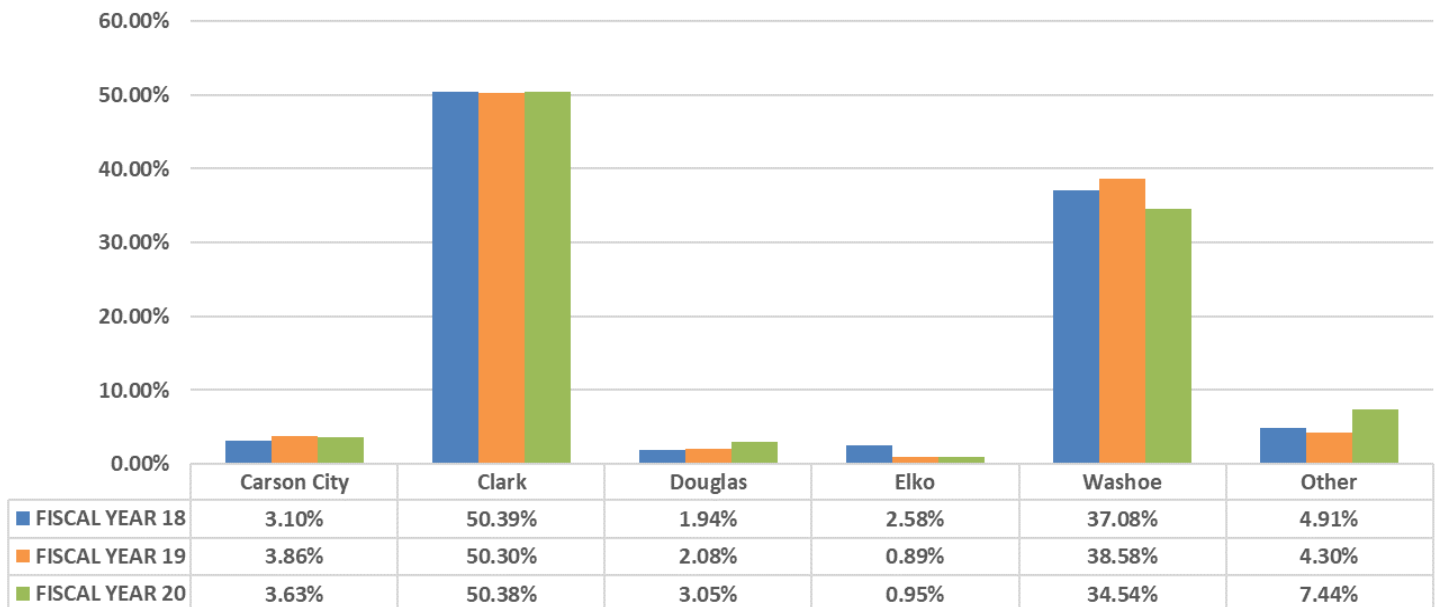
PLAN		TOTAL	% OF TOTAL
2 YEAR COMMUNITY			
LUMP SUM	8		
5 YEAR	5		
10 YEAR	6		
EXTENDED	6		
		25	4.77%
2 YR COMM/2 YR UNIV			
LUMP SUM	15		
5 YEAR	5		
10 YEAR	8		
EXTENDED	26		
		54	10.31%
1 YEAR UNIV			
LUMP SUM	19		
5 YEAR	5		
10 YEAR	2		
EXTENDED	5		
		31	5.92%
4 YEAR UNIV			
LUMP SUM	142		
5 YEAR	83		
10 YEAR	36		
EXTENDED	83		
		344	65.65%
2 YEAR UNIV			
LUMP SUM	30		
5 YEAR	12		
10 YEAR	7		
EXTENDED	21		
		70	13.36%
TOTAL ENROLLMENT FORMS	524		100.00%



CONTRACTS BY COUNTY

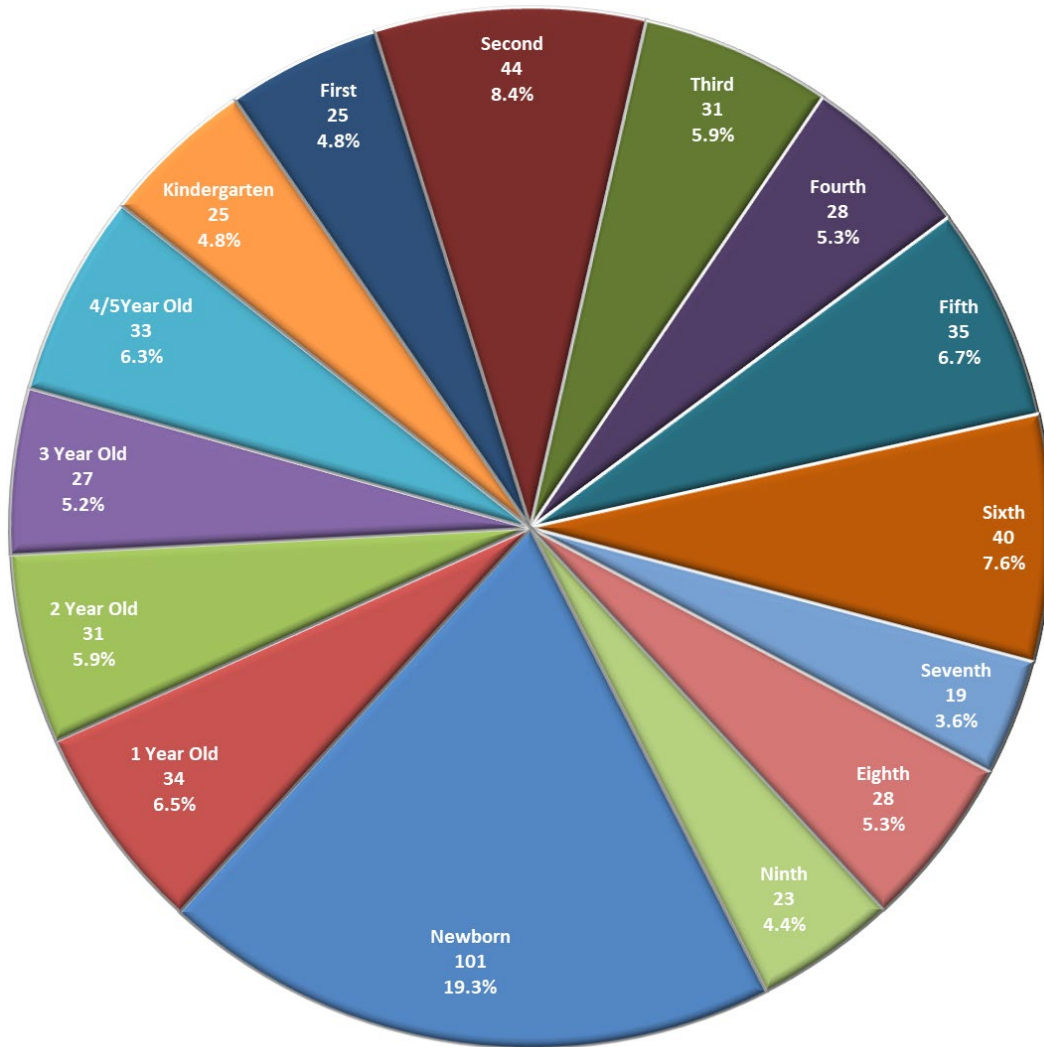


Three Year Comparison

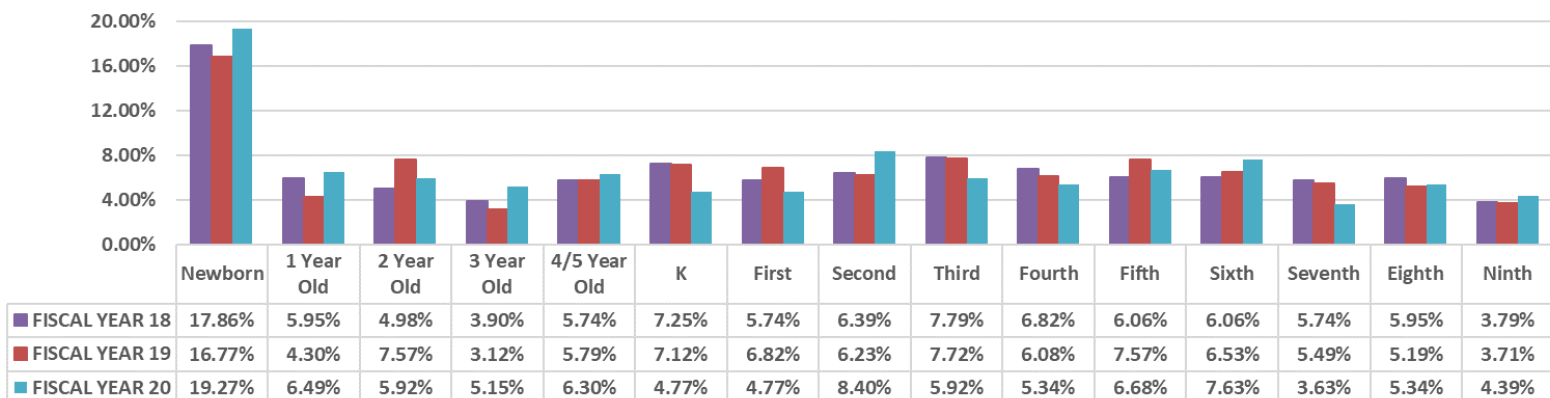


BENEFICIARIES AGE/GRADE

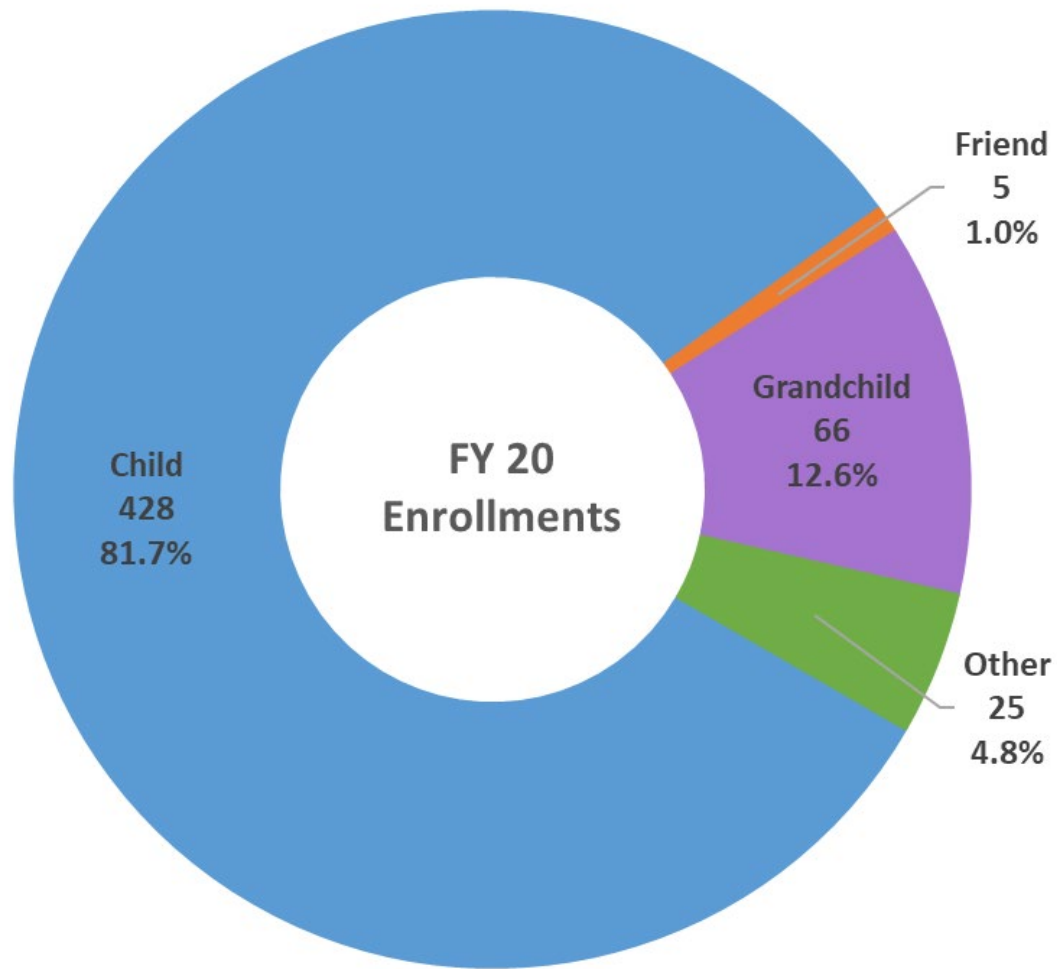
FY 2020 Enrollments



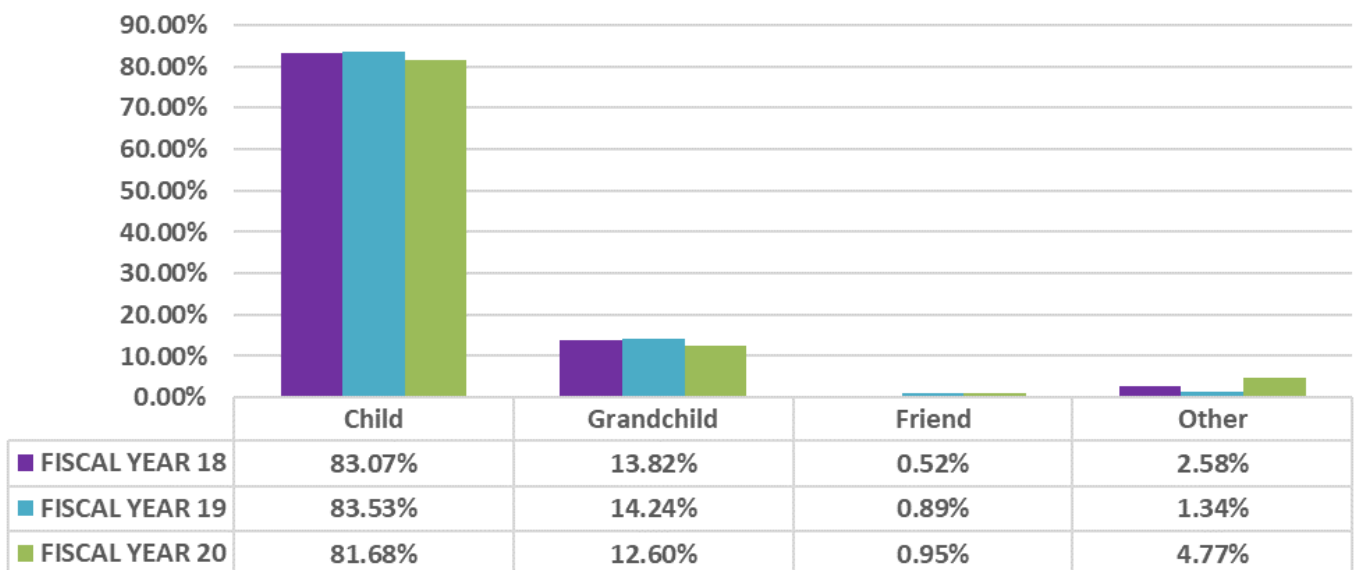
Three Year Comparison



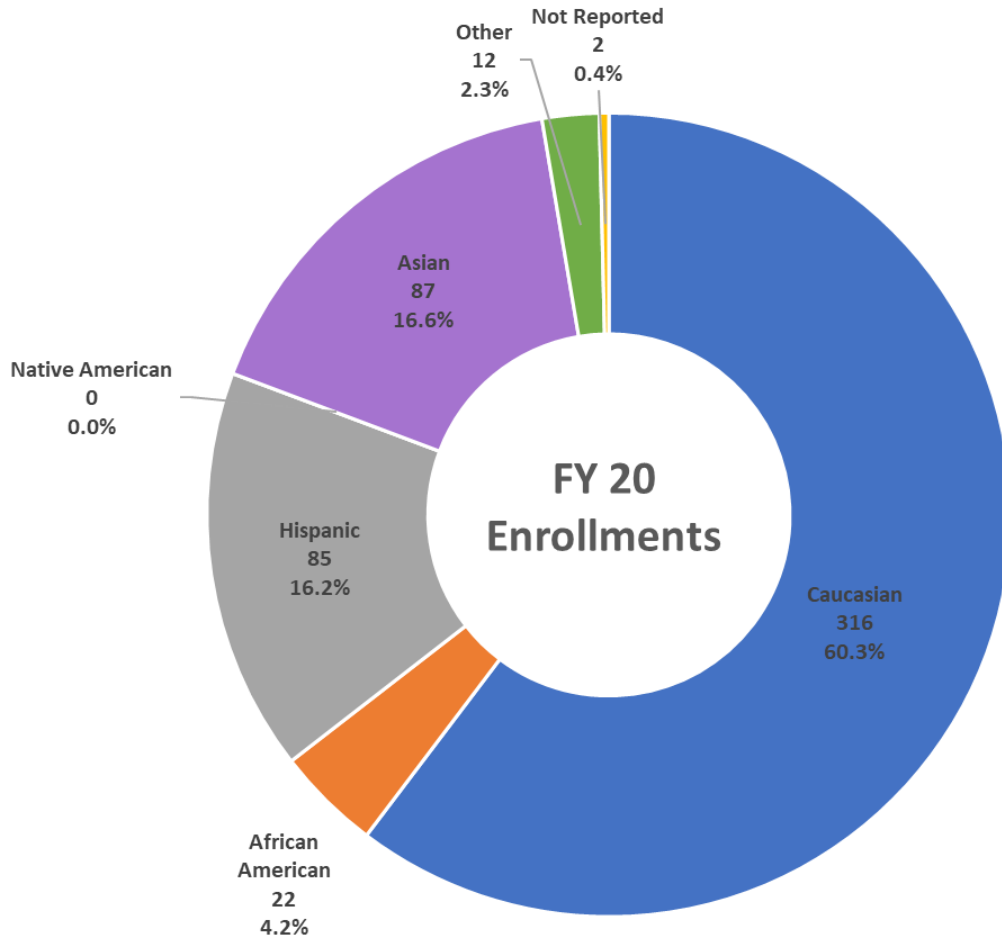
BENEFICIARY'S RELATIONSHIP TO PURCHASER



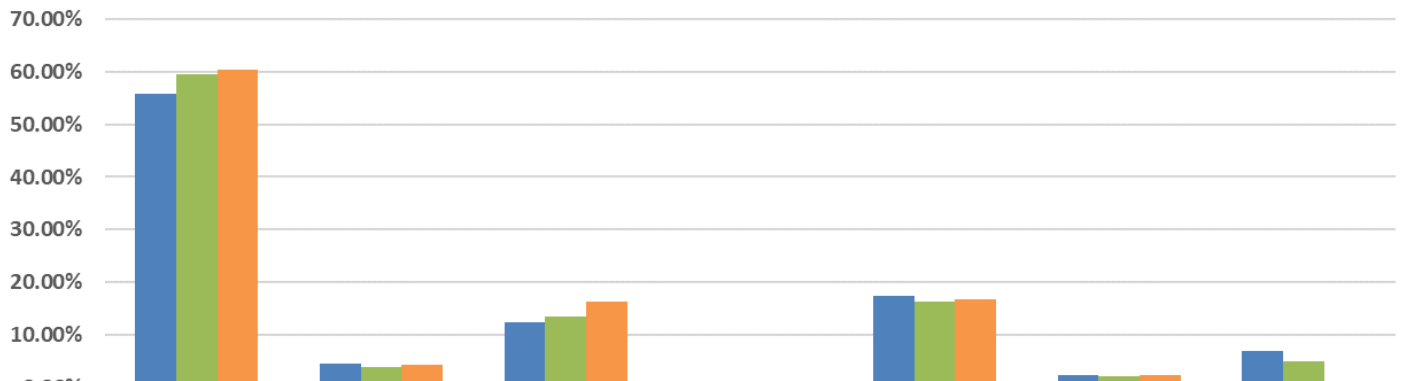
Three Year Comparison



RACE OF BENEFICIARY

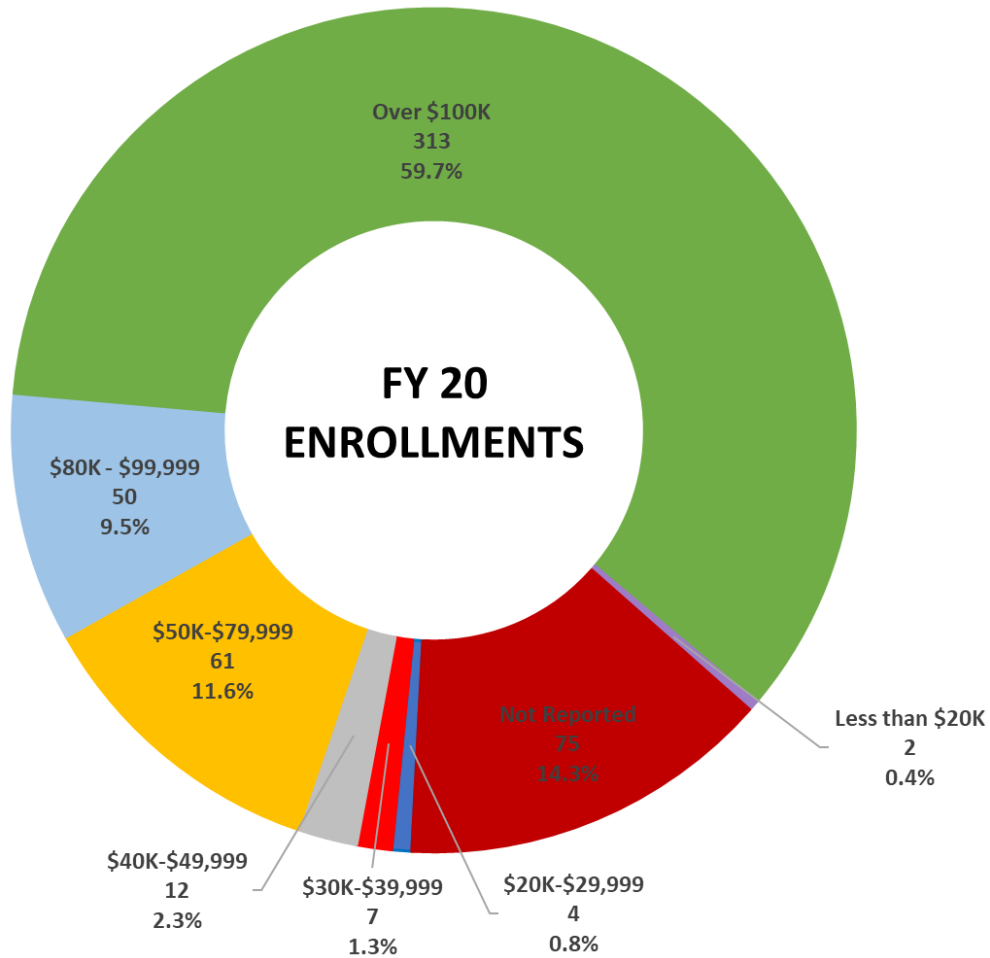


Three Year Comparison

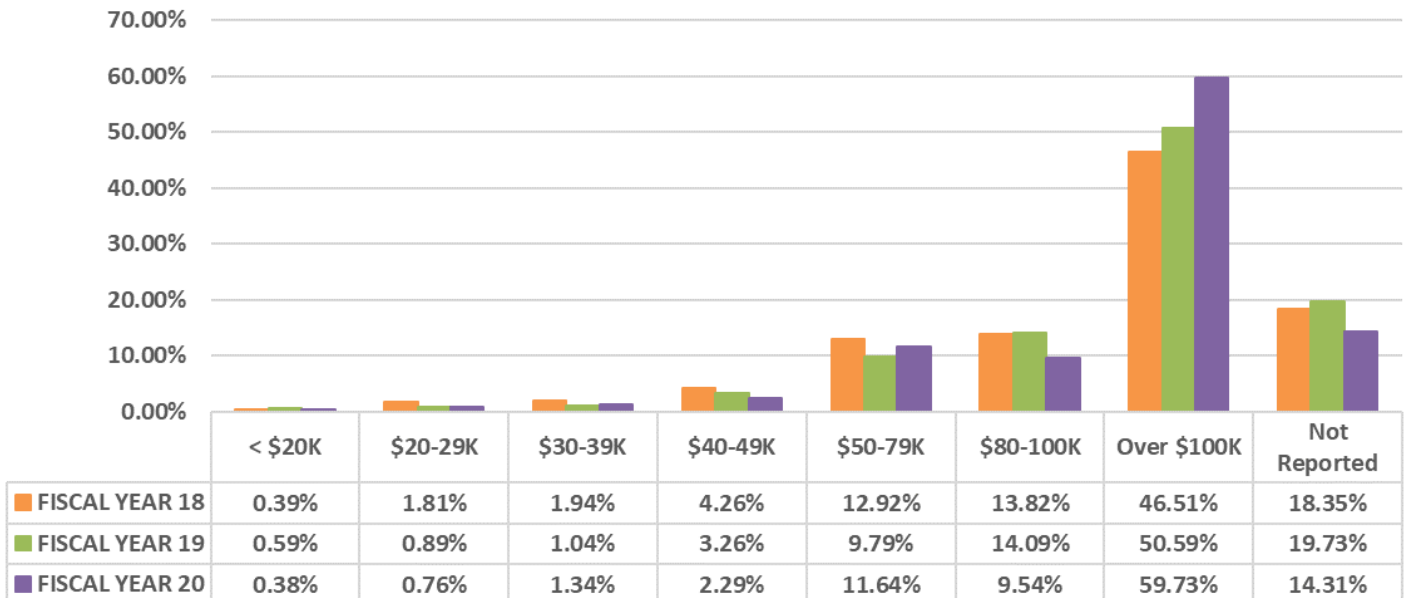


	Caucasian	African-American	Hispanic	Native American	Asian	Other	Not Reported
FISCAL YEAR 18	55.81%	4.52%	12.40%	0.65%	17.44%	2.33%	6.85%
FISCAL YEAR 19	59.50%	3.86%	13.35%	0.00%	16.32%	2.08%	4.90%
FISCAL YEAR 20	60.31%	4.20%	16.22%	0.00%	16.60%	2.29%	0.38%

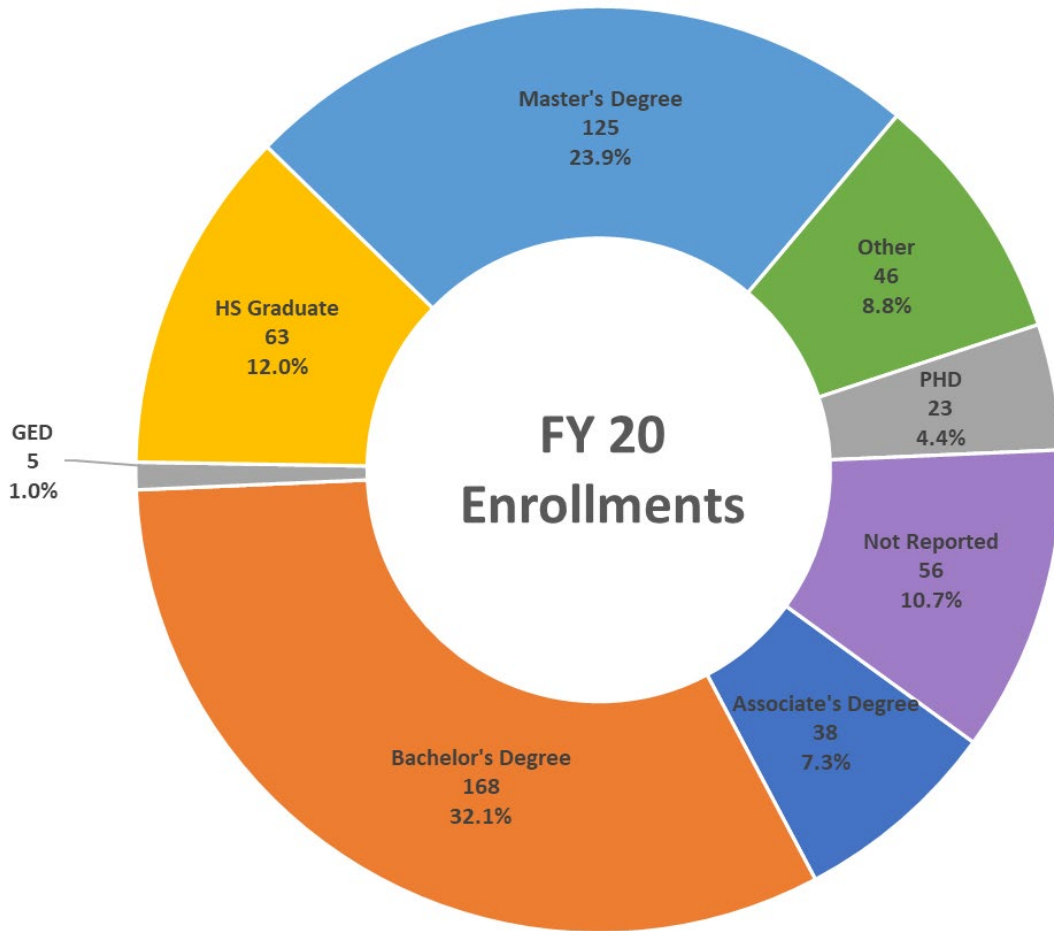
PURCHASER'S INCOME LEVEL



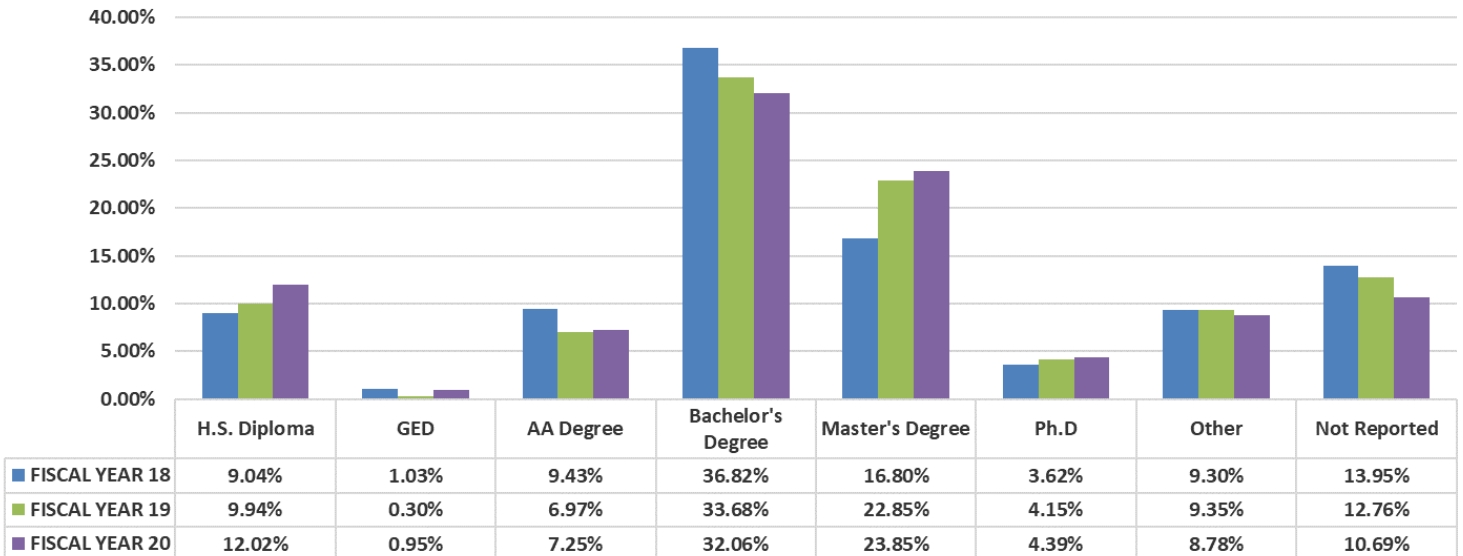
Three Year Comparison



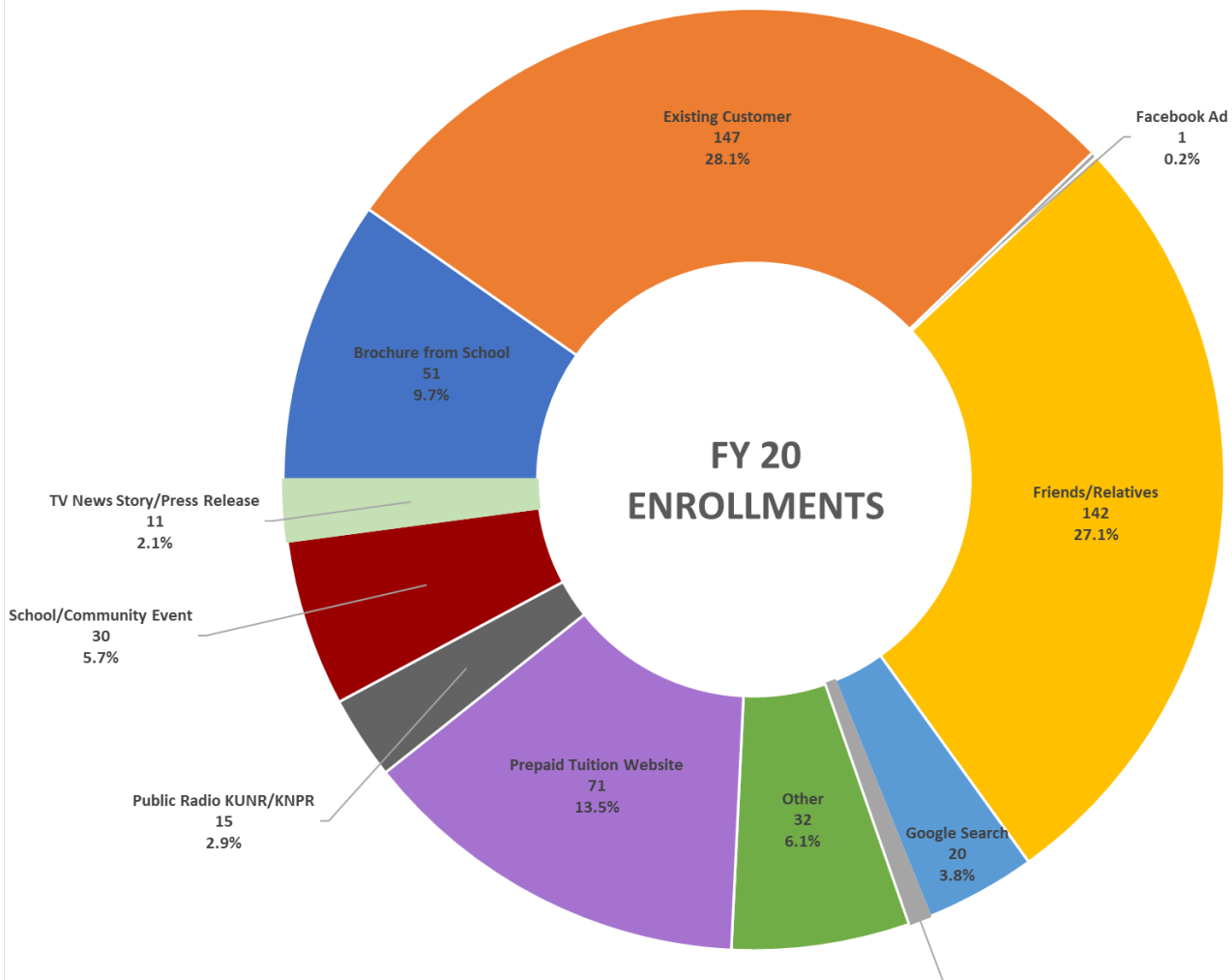
PURCHASER'S EDUCATION LEVEL



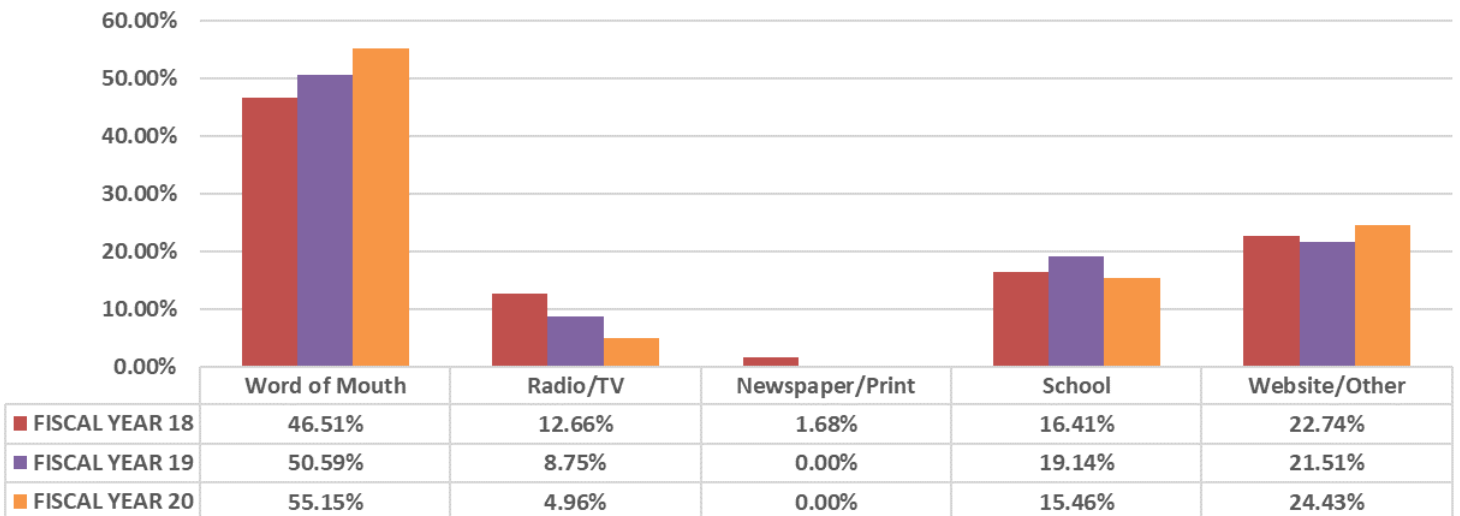
Three Year Comparison



REFERRAL SOURCE



Three Year Comparison



THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

Agenda Item 5
January 29, 2021

**Item: Fiscal Year 2020 Annual Audit of the Nevada
Higher Education Prepaid Tuition Trust Fund**

Fiscal Impact: None by this action.

Summary:

Pursuant to NRS 353B.180, the Board shall contract with a certified public accounting firm to perform an annual audit of the Nevada Higher Education Prepaid Tuition Trust Fund. Eide Bailly, LLP. was retained to prepare the 2020 Annual Audit.

Based on their findings, the auditor has provided an unqualified opinion, the highest opinion that the financial statements prepared by management, fairly represent the financial position of the Trust Fund in all material respects. The audit must be approved by the Board prior to inclusion in the 2020 Prepaid Tuition Program Annual Report.

An Eide Bailly representative will be available to answer any questions.



Financial Statements
June 30, 2020 and 2019

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund

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Management's Discussion and Analysis	3
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Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22



Independent Auditor's Report

To the Board of Trustees
Nevada College Savings Plan Board
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust Fund, as of June 30, 2020 and 2019, and the changes in financial position and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of the Trust Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust Fund's internal control over financial reporting and compliance.



Reno, Nevada
Decemeber 11, 2020

As management of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), we offer readers of the Trust Fund's financial statements this narrative overview and analysis of the financial activities of the Trust Fund for the fiscal years (FY) ended June 30, 2020 and 2019.

FINANCIAL HIGHLIGHTS

The Trust Fund's financial position continued to significantly improve in fiscal year 2020.

- The Trust Fund's total assets and deferred outflows increased from \$339,535,243 in FY19 to \$349,114,886 in FY20, an increase of \$9,579,643. This represents an increase of 2.8% from the prior fiscal year. These assets are used to pay tuition benefits on behalf of contracts purchased.
- The Trust Fund's total net position in FY20 was \$141,956,920, which is an increase of \$14,210,195 from FY19. The growth is primarily due to strong investment performance.
- The Trust Fund's certified actuary reported that the funded status of the Prepaid Tuition Plan (the Plan) as of June 30, 2020 was 165.7%, utilizing a rate of return on actuarial value of assets of 4.2% per year (169.1% if the market value of assets was used). This is an increase from the funded status of 154.6% as of June 30, 2019, and the funded status of 142.0% as of June 30, 2018, and continues to be one of the highest funding ratios nationwide for a state prepaid tuition plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Trust Fund's annual report. The Trust Fund's financial report consists of: Management's Discussion and Analysis (MD&A), Basic Financial Statements including Notes to the Financial Statements, and a Compliance Section.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Trust Fund report information about the Trust Fund, which is considered an enterprise fund (proprietary fund type). Proprietary funds use the full accrual basis of accounting, similar to that used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded at the time a liability is incurred. The Statement of Net Position includes all of the Trust Fund's assets and deferred outflows and liabilities and deferred inflows and provides information about the nature and amount of its resources and the obligations to contract holders. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This Statement measures the success of the Trust Fund's operations over the past year, and can be used to determine whether the Trust Fund has successfully met all of its costs through its tuition contributions, along with other fees and charges for sales and services. The final statement is the Statement of Cash Flows, which is used to provide information about the Trust Fund's cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities.

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Management's Discussion and Analysis
June 30, 2020 and 2019

NET POSITION

Net position may serve over time as a useful indicator of financial position. The Trust Fund's net position continued to grow in FY 2020, for the eighth year in a row. The net position increased from \$127,746,725 in FY 2019 to \$141,956,920 in FY 2020, an increase of \$14,210,195 or 11.1% over the prior fiscal year. This increase is primarily due to an increase in investment performance.

The vast majority of the Trust Fund's assets, 88%, are its investments. The Trust Fund uses these assets to pay future tuition benefits for contracts purchased.

Higher Education Tuition Trust Fund Net Position

	2020	2019	2018
Assets			
Current and other assets	\$ 349,024,684	\$ 339,433,218	\$ 321,411,717
Net capital assets	23,263	40,008	56,706
Total Assets	<u>349,047,947</u>	<u>339,473,226</u>	<u>321,468,423</u>
Deferred Outflows			
Pension related	60,453	58,126	55,017
OPEB related	<u>6,486</u>	<u>3,891</u>	<u>3,625</u>
Liabilities			
Current liabilities	19,492,782	18,552,603	17,689,218
Noncurrent liabilities	<u>187,625,595</u>	<u>193,203,965</u>	<u>200,738,842</u>
Total Liabilities	<u>207,118,377</u>	<u>211,756,568</u>	<u>218,428,060</u>
Deferred Inflows			
Pension related	32,238	23,596	25,413
OPEB related	<u>7,351</u>	<u>8,354</u>	<u>7,594</u>
Net Position			
Net investment in capital assets	23,263	40,008	56,706
Unrestricted	<u>141,933,657</u>	<u>127,706,717</u>	<u>103,009,292</u>
Total Net Position	<u>\$ 141,956,920</u>	<u>\$ 127,746,725</u>	<u>\$ 103,065,998</u>

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Management's Discussion and Analysis
June 30, 2020 and 2019

CHANGE IN NET POSITION

Higher Education Tuition Trust Fund Change in Net Position

	2020	2019	2018
Operating Revenues			
Tuition contributions and other revenues	\$ 11,708,884	\$ 13,791,772	\$ 13,934,152
Operating Expenses			
Operating expenses before depreciation	11,156,226	8,027,796	11,275,605
Depreciation	16,745	16,698	16,698
Total Operating Expenses	11,172,971	8,044,494	11,292,303
Operating Income (Loss)	535,913	5,747,278	2,641,849
Nonoperating revenues and interest income	12,880,590	18,263,467	21,987,460
Contribution - State of Nevada College Savings Endowment Account	793,692	669,982	683,784
Change in Net Position	14,210,195	24,680,727	25,313,093
Net Position, July 1	127,746,725	103,065,998	77,752,905
Net Position, June 30	\$ 141,956,920	\$ 127,746,725	\$ 103,065,998

Tuition contributions and revenues in FY 2020 decreased to \$11,708,884. The 15.1% decrease is attributable to a decrease in the total number of contracts sold in FY 2020, with more of them being paid in full which decreases ongoing annual contributions, as well as a lower number of 4-year university plans being purchased overall.

Operating expenses for the Plan primarily consist of future tuition benefits, which are calculated to be \$7,239,953 on an accrued basis. Total operating expenses increased by roughly 38.9% from \$8,044,494 in FY 2019 to \$11,172,971 in FY 2020. This is mainly due to the increase in tuition benefits expense. Actuarial assumption changes were based on a Nevada Prepaid Tuition actuarial experience study performed in FY 2020, which resulted in a reduction in the overall actuarial liabilities.

The operating income (loss) above reflects the difference between contributions from new and existing participants on a cash basis versus benefit payments to educational institutions, which fulfills the purpose of the Plan, and other sundry costs. In addition, in FY 2020, the change in the actuarial accruals had a negative impact on the net position. This is shown in the decrease in the operating income (loss) from \$5,747,278 in FY 2019 to \$535,913 in FY 2020.

CAPITAL ASSET ADMINISTRATION

The Trust Fund's investment in capital assets as of June 30, 2020, amounts to \$23,263 (net of accumulated depreciation), which consists of computer equipment. Information about the Trust Fund's capital assets can be found in Note 4 to the Trust Fund's financial statements.

ECONOMIC FACTORS AND CURRENTLY KNOWN FACTS

Aside from account owners' purchases of contracts, the primary source of revenue for the Plan is investment income. The target investment allocation includes domestic public equities of 50%, domestic fixed income securities of 30%, and domestic covered calls of 20%. The Plan continues to invest in an equity portfolio with passively managed large, mid, and small cap U.S. equity mutual funds at Vanguard, a fixed income portfolio with Chicago Equity Partners and a passively managed covered calls mutual fund with Glenmede. The rate of return on a market value basis was 4.24% while the rate of return on the actuarial value of assets for year ended June 30, 2020 was 6.58%.

Based on a price inflation rate of 1.75% and revised 5-year capital market expectations for those asset classes, the Board approved the assumed rate of return of the Plan's investments is 5.25% based on analyses from its investment consultant. This assumed rate was used by the Board's actuary in computing the Plan's funded status of 165.7%. The Plan's investments are intended to provide broad exposure to the U.S. equities and investment-grade fixed income markets. Therefore, projected returns are subject to actual market activity and volatility in the markets.

The College Savings Endowment Account continues to transfer funds to the Trust Fund to cover administrative costs of the State Treasurer's Office to administer and manage the Prepaid Tuition Plan.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Trust Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State of Nevada Treasurer's Office, Nevada Prepaid Tuition Program, 555 E. Washington Ave., Suite 4600, Las Vegas, NV 89101.

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Statements of Net Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 4,850,537	\$ 7,949,934
Investment income receivable	386,758	388,108
Prepaid items	119	116
Due from State of Nevada	19,967	74,340
Tuition contributions receivable, current portion	8,506,085	8,865,168
Investments	307,125,074	292,418,805
Total current assets	320,888,540	309,696,471
Noncurrent assets		
Capital assets, net	23,263	40,008
Other noncurrent assets		
Tuition contributions receivable	28,136,144	29,736,747
Total noncurrent assets	28,159,407	29,776,755
Total assets	349,047,947	339,473,226
Deferred outflows of resources		
Pension related	60,453	58,126
OPEB related	6,486	3,891
Total deferred outflows	66,939	62,017
Total assets and deferred outflows	349,114,886	339,535,243
Liabilities		
Current liabilities		
Accounts payable	173,493	139,077
Accrued salaries and benefits	28,199	28,729
Due to State of Nevada	109,455	32,110
Due to other governments	-	1,952
Tuition benefits payable, current portion	19,181,635	18,350,735
Total current liabilities	19,492,782	18,552,603
Noncurrent liabilities		
Tuition benefits payable	187,163,455	192,754,039
Net pension liability	341,136	325,340
Net OPEB liability	121,004	124,586
Total noncurrent liabilities	187,625,595	193,203,965
Total liabilities	207,118,377	211,756,568
Deferred inflows of resources		
Pension related	32,238	23,596
OPEB related	7,351	8,354
Total deferred inflows	39,589	31,950
Total liabilities and deferred inflows	207,157,966	211,788,518
Net Position		
Net investment in capital assets	23,263	40,008
Unrestricted	141,933,657	127,706,717
Total net position	\$ 141,956,920	\$ 127,746,725

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Charges for sales and services	\$ 77,400	\$ 92,600
Tuition contributions	11,631,484	13,699,172
Total operating revenues	11,708,884	13,791,772
Operating Expenses		
Personnel costs	228,370	201,995
Contract and other administrative services	726,387	624,640
Tuition benefits expense	7,239,953	4,679,863
Refunds	2,961,516	2,521,298
Depreciation	16,745	16,698
Total operating expenses	11,172,971	8,044,494
Operating Income	535,913	5,747,278
Nonoperating Revenues		
Interest, dividends and other investment income	5,324,390	5,162,880
Net increase in fair value of investments	7,556,200	13,100,587
Contribution from the State of Nevada General Fund - College Savings Endowment Account	793,692	669,982
Total nonoperating revenues	13,674,282	18,933,449
Change in Net Position	14,210,195	24,680,727
Net Position, Beginning of Year	127,746,725	103,065,998
Net Position, End of Year	\$ 141,956,920	\$ 127,746,725

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Receipts for sales and services	\$ 77,400	\$ 92,600
Tuition contributions received	13,591,170	15,869,029
Payments to suppliers for good and services	(562,205)	(642,287)
Payments to employees	(213,972)	(208,978)
Payments for tuition benefits	(11,999,637)	(11,366,735)
Payments of refunds	(2,961,516)	(2,521,298)
Net Cash from (used for) Operating Activities	<u>(2,068,760)</u>	<u>1,222,331</u>
Noncapital Financing Activities		
Contribution from the State of Nevada General Fund - College Savings Endowment Account	<u>793,692</u>	<u>669,982</u>
Investing Activities		
Proceeds from sales or maturities of investments	3,205,939	29,282,179
Purchase of investments	(10,356,009)	(33,904,769)
Interest, dividends and other investment income received	<u>5,325,740</u>	<u>5,147,377</u>
Net Cash from (used for) Investing Activities	<u>(1,824,329)</u>	<u>524,787</u>
Net Change in Cash and Cash Equivalents	(3,099,397)	2,417,100
Cash and Cash Equivalents, Beginning of Year	<u>7,949,934</u>	<u>5,532,834</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,850,537</u>	<u>\$ 7,949,934</u>

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to net cash from		
Operating Activities		
Operating income	\$ 535,913	\$ 5,747,278
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	16,745	16,698
Changes in		
Due from State of Nevada	54,373	(35,462)
Tuition contributions receivable	1,959,686	2,169,857
Accounts payable and accrued liabilities	33,886	31,840
Due to State of Nevada	77,345	(11,140)
Due to other governments	(1,952)	984
Net pension liability	15,796	(8,877)
Net OBEP liability	(3,582)	2,573
PERS deferred outflows of resources	(4,922)	(3,375)
PERS deferred inflows of resources	7,639	(1,057)
Tuition benefits payable	<u>(4,759,684)</u>	<u>(6,686,872)</u>
Net Cash from (used for) Operating Activities	<u>\$ (2,068,760)</u>	<u>\$ 1,222,331</u>
Noncash Investing Activities		
Net increase in fair value of investments	<u>\$ 7,556,200</u>	<u>\$ 13,100,587</u>

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity and Purpose

The Trust Fund operates under Nevada Revised Statutes (NRS) 353B, Prepayment of Tuition at Institutions of Higher Learning, which was adopted by the Nevada Legislature in 1997. The Trust Fund is administered by the Office of the State Treasurer under the direction of a five-member Board, with five voting members.

The purpose of the Trust Fund's program is to provide a simple and convenient way for Nevada families to save for a college education through the advance payment of tuition. A purchaser enters into a contract for the future payment of tuition for a specified beneficiary. When the beneficiary enrolls in college, the program will pay the contract benefits. The beneficiary has six years after the projected college entrance date to utilize the benefits of the contract. Exceptions are granted for military or religious service. The contract benefits are based on in-state rates for Nevada public colleges, but can be used towards costs at any accredited, nonprofit, private or out-of-state college.

The Trust Fund completed its twenty-second enrollment period on April 30, 2020 with 517 new enrollments. The Trust Fund also had 659 removed contracts for a total active enrollment of 12,163 at June 30, 2020.

The Trust Fund completed its twenty-first enrollment period on April 30, 2019 with 669 new enrollments. The Trust Fund also had 805 removed contracts for a total active enrollment of 12,305 at June 30, 2019.

Measurement Focus and Basis of Accounting

The Trust Fund is an enterprise fund (proprietary fund type) of the State of Nevada and thus is included in the State of Nevada's Comprehensive Annual Financial Report. The accompanying financial statements present only the Trust Fund and are not intended to present fairly the financial position of the State of Nevada, the changes in its financial position or its cash flows in conformity with GAAP.

Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet operating objectives. The financial statements for the Trust Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable are those similar to business in the private sector.

Cash and Cash Equivalents

Cash and cash equivalents include short-term highly liquid investments (with maturities of three months or less when purchased) that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes of value. Such amounts include the Trust Fund's cash pooled with the State Treasurer and money market mutual funds.

Custodian and Transfer Agent

BNY Mellon is the custodian and transfer agent for certain Trust Fund investments.

Revenue Recognition

Contributions are recognized over the course of the contract as the payments progress.

Investment Valuation and Income Recognition

Investments are reported at fair value as determined by quoted or observable market prices. Fair value is the price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The investments are marked to market daily.

Security transactions are accounted for on the trade date (date order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Dividends are recorded on the ex-dividend date.

Tuition Contributions Receivable

Tuition contributions receivable in the Trust Fund represents the actuarially determined present value of future installment payments anticipated from contract holders.

Capital Assets

Capital assets are recorded at cost and consist of assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated on a straight-line basis over estimated useful lives of four to ten years. The cost of repairs and maintenance that do not materially extend the life of an asset are not capitalized.

Tuition Benefits Payable

The Trust Fund records tuition benefits payable at the actuarial present value of its future tuition obligation, which is adjusted for the effects of projected tuition and fee increases and termination of contracts.

Net Position Classifications

In the financial statements, net position is classified and displayed in three components:

1. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets after adding back the unspent portion of these borrowings.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors (including bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – Net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Note 2 - Stewardship and Compliance

Compliance with Nevada Revised Statutes and Administrative Code

The Trust Fund conformed to all significant statutory constraints on its financial administration during the year.

Note 3 - Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

Of the \$4,850,537 and \$7,949,934 cash and cash equivalents at June 30, 2020 and 2019, respectively, \$3,638,398 and \$7,672,086 represents the Trust Fund’s investment in the State of Nevada’s external investment pool.

The Trust Fund is an internal participant in the external investment pool maintained by the Treasurer of the State of Nevada. The external investment pool is not registered with the SEC as an investment company. The State of Nevada has not provided or obtained any legally binding guarantees during the period to support the value of the shares.

The Trust Fund receives a prorated share of the earnings from its participation in the investment pool based on daily cash balances. Due to the nature of the investment pool, it is not possible to separately identify any specific investment as being that of the Trust Fund. Instead, the Trust Fund owns a proportionate share of each investment, based on the Trust Fund’s participation percentage in the investment pool.

Investments

The State Treasurer serves as the administrator to the Trust Fund. The Trust Fund's assets are managed in accordance with the Trust Fund's investment objectives and policies, as provided in NRS 353B.160.1. Authorized investments are as follows:

- A bond, note, debenture or other valid obligation that is issued by the Treasury of the United States, or other security that is issued by an agency or instrumentality of the United States or that is fully guaranteed by the United States in the Federal Farm Credit Bank, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A mortgage-backed security that is issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- "AAA" rated collateralized mortgage obligations that are issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A bond, note, certificate or other general obligation of the State of Nevada, or of a county, city, general improvement district or school district of the State of Nevada;
- "A" or better rated corporate bonds of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States. The total amount invested in such bonds must not exceed 50% of the book value of the total fixed income investments;
- "A-1", "P-1", "F-1" or better rated commercial paper;
- "AAA" rated commercial mortgage-backed securities;
- "AAA" rated asset-backed securities financing credit cards, auto, manufactured housing, or student loans; "A" rated money-market mutual funds that meet the criteria set forth in statute. The total dollar amount invested in such mutual funds must not exceed 20% of the total dollar amount of the Trust Fund that is invested;
- A covered call or put option on securities that are traded on one or more of the regulated exchanges in the United States;
- A pooled or commingled real estate fund or a real estate security that is managed by a corporate trustee or by an investment advisory firm that is registered with the Securities and Exchange Commission. The total book value of this type of investment must not at any time be greater than 5% of the total book value of all investments of the Trust Fund;
- Common or preferred stock of corporations that have a total market value of not less than \$50,000,000. The maximum investment in stock is no greater than 60% of the book value of the total investments of the Trust Fund. Except for investments made pursuant to the final authorized investment below, the total amount invested in a single corporation is not greater than 3% of the total assets of the Trust Fund and not greater than 5% of the outstanding stock of a single corporation; and
- Mutual funds or common trust funds that consist of any combination of the investments listed above.

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Notes to Financial Statements
June 30, 2020 and 2019

The Trust Fund categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Trust Fund does not have any investments that are measured using Level 3 inputs.

As of June 30, 2020, the Trust Fund had the following investments and level inputs:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments				
Mutual funds				
Index funds	\$ 160,630,748	\$ 160,630,748	\$ -	\$ -
Covered calls	58,799,881	58,799,881	-	-
U.S. Treasury notes	47,139,611	47,139,611	-	-
U.S. agencies	28,787,687	-	28,787,687	-
Corporate notes	11,767,147	-	11,767,147	-
	<u>\$ 307,125,074</u>	<u>\$ 266,570,240</u>	<u>\$ 40,554,834</u>	<u>\$ -</u>

As of June 30, 2019, the Trust Fund had the following investments and level inputs:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments				
Mutual funds				
Index funds	\$ 152,756,019	\$ 152,756,019	\$ -	\$ -
Covered calls	58,574,069	58,574,069	-	-
U.S. Treasury notes	45,954,683	45,954,683	-	-
U.S. agencies	31,844,938	-	31,844,938	-
Corporate notes	3,289,096	-	3,289,096	-
	<u>\$ 292,418,805</u>	<u>\$ 257,284,771</u>	<u>\$ 35,134,034</u>	<u>\$ -</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued at fair value based on the observable market prices of the underlying assets held by the pool or fund less liabilities.

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Notes to Financial Statements
June 30, 2020 and 2019

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust Fund's investment policies address interest rate risk by providing for an asset allocation plan that gives appropriate consideration to an average investment horizon of 3 to 18 years, while taking into consideration current and near-term liquidity needs.

As of June 30, 2020, the Trust Fund had the following investments and maturities that are subject to interest rate risk:

	Fair Value	Maturities, in Years			
		Less Than 1	1-5	6-10	Greater Than 10
Investments					
Corporate notes	\$ 11,767,147	\$ 1,390,732	\$ 3,747,618	\$ 6,347,242	\$ 281,555
U.S. agencies	28,787,687	-	2,031,587	1,421,245	25,334,855
U.S. Treasury notes	47,139,611	-	25,584,889	10,049,850	11,504,872
	<u>\$ 87,694,445</u>	<u>\$ 1,390,732</u>	<u>\$ 31,364,094</u>	<u>\$ 17,818,337</u>	<u>\$ 37,121,282</u>

As of June 30, 2019, the Trust Fund had the following investments and maturities that are subject to interest rate risk:

	Fair Value	Maturities, in Years			
		Less Than 1	1-5	6-10	Greater Than 10
Investments					
Corporate notes	\$ 3,289,096	\$ 474,232	\$ 2,345,358	\$ 210,871	\$ 258,635
U.S. agencies	31,844,938	-	1,693,940	1,564,202	28,586,796
U.S. Treasury notes	45,954,683	-	27,243,148	10,188,314	8,523,221
	<u>\$ 81,088,717</u>	<u>\$ 474,232</u>	<u>\$ 31,282,446</u>	<u>\$ 11,963,387</u>	<u>\$ 37,368,652</u>

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Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Trust Fund. At June 30, 2020, the Trust Fund's investments were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor's rating scale (at fair value) as of:

	Fair Value	Credit Quality Ratings				
		AAA	AA	A	BBB	Unrated
Investments						
Corporate notes	\$ 11,767,147	\$ -	\$ 1,321,341	\$ 10,153,281	\$ 292,525	\$ -
U.S. agencies	28,787,687	-	28,536,853	-	-	250,834
	<u>\$ 40,554,834</u>	<u>\$ -</u>	<u>\$ 29,858,194</u>	<u>\$ 10,153,281</u>	<u>\$ 292,525</u>	<u>\$ 250,834</u>

At June 30, 2019, the Trust Fund's investments were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor's rating scale (at fair value) as of:

	Fair Value	Credit Quality Ratings				
		AAA	AA	A	BBB	Unrated
Investments						
Corporate notes	\$ 3,289,096	\$ -	\$ 1,247,881	\$ 1,749,880	\$ 291,335	\$ -
U.S. agencies	31,844,938	-	31,550,743	-	-	294,195
	<u>\$ 35,134,034</u>	<u>\$ -</u>	<u>\$ 32,798,624</u>	<u>\$ 1,749,880</u>	<u>\$ 291,335</u>	<u>\$ 294,195</u>

The ratings presented above may have differed if an equivalent national rating organization was utilized.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2020, the following investments exceeded 5% of the Trust Fund's total investments:

	Fair Value	Percentage
Federal Home Loan Mortgage Corp - Asset Backed Mortgage Security	\$ 17,593,701	5.73%

At June 30, 2019, the following investments exceeded 5% of the Trust Fund's total investments:

	Fair Value	Percentage
Federal Home Loan Mortgage Corp - Asset Backed Mortgage Security	\$ 20,725,671	7.09%

Other Risk

The Trust Fund invests in various equity mutual funds, including at June 30, 2020 and 2019, when equity mutual funds comprised approximately 71.45% and 72.27% of total investments. Equity mutual funds are exposed to other risks such as market risks. Due to the level of risk associated with equity mutual funds, it is at least reasonably possible that changes in the values of equity mutual funds will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Note 4 - Capital Assets

The following schedule summarizes the changes in capital assets for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets				
Computer equipment	\$ 173,374	\$ -	\$ (5,349)	\$ 168,025
Less accumulated depreciation	(133,366)	(16,745)	5,349	(144,762)
Capital Assets, Net	<u>\$ 40,008</u>	<u>\$ (16,745)</u>	<u>\$ -</u>	<u>\$ 23,263</u>

The following schedule summarizes the changes in capital assets for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital Assets				
Computer equipment	\$ 173,374	\$ -	\$ -	\$ 173,374
Less accumulated depreciation	(116,668)	(16,698)	-	(133,366)
Capital Assets, Net	<u>\$ 56,706</u>	<u>\$ (16,698)</u>	<u>\$ -</u>	<u>\$ 40,008</u>

Note 5 - Noncurrent Liabilities

Tuition Benefits Payable

Included in noncurrent liabilities is the Trust Fund's tuition benefits obligation based upon the actuarial present value (APV) of the future tuition obligations and administrative expenses. This amount reflects the present value of estimated tuition benefits and administrative expenses that will be paid in future years. The present value calculation includes the effects of projected tuition and fee increases and termination of contracts.

	June 30, 2020	June 30, 2019
APV of the Future Tuition Obligation	\$ 206,345,090	\$ 211,104,774
Net Position Available	348,302,010	338,851,499
Net Position as a Percentage of Tuition Benefits Obligation	168.80%	160.51%

The following assumptions were used in the actuarial valuation for fiscal year 2020:

- Investment Rates: The investment yield assumption is 5.25% per year, which is the same assumption used in the June 30, 2019 actuarial report.
- Tuition Growth Assumptions:

Fiscal Year Ended	Universities	Community Colleges
2021-2022	2.80%	2.80%
2022-2023	2.80%	2.80%
2023-2024	2.50%	2.50%
2024-2025+	4.00%	3.50%

The following assumptions were used in the actuarial valuation for fiscal year 2019:

- Investment Rates: The investment yield assumption is 5.25% per year, which is a different assumption used than the June 30, 2018 actuarial report.
- Tuition Growth Assumptions:

Fiscal Year Ended	Universities	Community Colleges
2020-2021	4.00%	4.00%
2021-2022	2.80%	2.80%
2022-2023	2.80%	2.80%
2023-2024+	4.50%	3.75%

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Changes in the Trust Fund's noncurrent liabilities at June 30, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Tuition benefits payable	\$ 211,104,774	\$ 5,592,539	\$ (10,352,223)	\$ 206,345,090	\$ 19,181,635

Changes in the Trust Fund's noncurrent liabilities at June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
Tuition benefits payable	\$ 217,791,646	\$ 9,896,645	\$ (16,583,517)	\$ 211,104,774	\$ 18,350,735

Note 6 - Tuition Contributions and Tuition Benefits Expense

The tuition contributions of \$11,631,484 and \$13,699,172 and the tuition benefits expense of \$7,239,953 and \$4,679,863 on the Statement of Revenues, Expenses and Changes in Net Position represent the annual accrual of contributions of \$(1,959,686) and \$(2,169,857) and benefit expenses of \$(4,759,686) and \$(6,686,872) for the years ended June 30, 2020 and 2019, respectively, as determined by the actuarial valuation and adjusted by the actual participant contributions of \$13,591,170 and \$15,869,029 and tuition payments of \$11,999,639 and \$11,366,735 for the fiscal years.

Note 7 - Pension Plan and Other Post-Employment Benefits

Employees of the Trust Fund are employees of the State of Nevada and the Nevada Legislature created various plans to provide benefits to qualified employees of the State.

Pension Plan – The employees participate in a cost-sharing, multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada (PERS). PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PERS, information relating to PERS is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2020 and 2019.

Other Post-Employment Benefits (OPEB) – The employees participate in a cost-sharing, multiple-employer, defined benefit postemployment plan administered by the Public Employees' Benefits Program of the State of Nevada (PEBP). PEBP provides group health and life insurance benefits to plan members, both active and retired, and their dependents. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PEBP, information relating to PEBP is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2020 and 2019.

Note 8 - Risk Management

As with all governmental entities, the Trust Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. Such losses, if any, are accounted for in the State of Nevada's various insurance funds. The Trust Fund is responsible for premium charges payable to the State of Nevada for coverage in the self-funded programs. There have been no material settlements related to the Trust Fund in any of the past three years.



**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees
Nevada College Savings Plan Board
Carson City, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Trust Fund's basic financial statements and have issued our report thereon dated December 11, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust Fund's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Reno, Nevada
December 11, 2020