The Board of Trustees of the College Savings Plans of Nevada Meeting-20240221_095219-Meeting Recording

February 21, 2024, 5:52PM

1h 3m 13s

Saini, Navdeep S (AM, USA) joined the meeting

William Bishop joined the meeting

Saini, Navdeep S (AM, USA) left the meeting

Scott R. Kefer joined the meeting

Mannik Dhillon joined the meeting

Palmer, Sandra joined the meeting

Kevin McLaughlin joined the meeting

Walker, Jennifer joined the meeting

Lori Hoover joined the meeting

Donna Velez joined the meeting

Caroline Churchill joined the meeting

Di Pentima, Michael (AM, USA) joined the meeting

Ariel Luke joined the meeting

Jennifer Fuentes joined the meeting

Saini, Navdeep S (AM, USA) joined the meeting

Di Pentima, Michael (AM, USA) left the meeting

Miller,Christy joined the meeting

Jessica Campbell joined the meeting

Duffield,Stewart joined the meeting

Leslie Milton joined the meeting

Fairchild,Jaime joined the meeting

Judy Minsk joined the meeting

Jay Edwards joined the meeting

Nikki Williams joined the meeting

Troy Watts joined the meeting

9c39b330-9110-4f48-8765-b6fa58866311 joined the meeting

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 9:36

Zach Conine: Good morning, everyone. I'd like to call this meeting of the Board of trustees of the College Savings Plans of Nevada to order.

e4a4abe1-255f-48bf-abe4-32f567d53a1a joined the meeting

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 9:43

Zach Conine: Hope you're all doing well this morning. We'll start off with roll call, Ms. Van Ry.

Kirsten Van Ry: Treasure Conine?

Zach Conine: Hello

Kirsten Van Ry: Member Stanfel?

Miles Christopher joined the meeting

Donna Velez 9:51
Here.

Gov-Vegas Grant Sawyer Conf Room(Teams) 9:53
Kirsten Van Ry: Member Cano Burkhead is absent, excused. Member Rankin?

Michael Rankin: Here.

Kirsten Van Ry: Member Hager?

Robin Hager: Here.

Kirsten Van Ry: You have a quorum.

Zach Conine: Fantastic, and I'd just like to welcome our Deputy Attorney General, Miss Nicole Ting.

Tarapacki, Jacklyn (AM, USA) joined the meeting

Kairer,Courtney joined the meeting

Gov-Vegas Grant Sawyer Conf Room(Teams) 10:06
Zach Conine: Hello Nicole, thanks for being here. And we'll open up with public comment; comments from the public are invited at this time. Do we have any members of the public who wish to speak in Las Vegas? Alright, any members in Carson City?

Tarapacki, Jacklyn (AM, USA) left the meeting

OST CC Conf Room 10:24

Itzel Fausto: There are none.

Gov-Vegas Grant Sawyer Conf Room(Teams) 10:25

Zach Conine: Alright. Any members online who wish to provide public comment at this time?

OST CC Conf Room 10:32

Itzel Fausto: There are none.

Gov-Vegas Grant Sawyer Conf Room(Teams) 10:34

Zach Conine: Hearing none, we'll move on to the consent agenda. The consent agenda includes items 3, 4, 5, 6, and 7. Does any board member wish to pull any items in the consent portion of the agenda for separate discussion and deliberation? Hearing none, may I please have a motion to approve the consent agenda as stated? I'll make a motion to approve.

Michael Rankin: I'll make a motion to approve.

Zach Conine: Alright, we've got a motion. May I please have a second?

Donna Velez 11:01

I'll second.

Gov-Vegas Grant Sawyer Conf Room(Teams) 11:02

Zach Conine: Thank you, Member Stanfel. We have a motion and a second. Any discussion on the motion? Hearing none, all in favor, say aye. Aye

Robin Hager: Aye

Michael Rankin: Aye

Donna Velez 11:10

Aye.

Zach Conine: Any oppose? Motion passes unanimously. Moving on to agenda item number 8 for discussion. A staff update on marketing. We'll turn it over to Doctor Tya Mathis-Coleman, our Deputy Treasurer for College Savings.

Tya-Mathis Coleman: For the record, my name is Tya Mathis-Coleman, Deputy Treasurer of our College Savings Division.

4e59d516-6e1c-4141-b75b-2be4e749529b joined the meeting

Gov-Vegas Grant Sawyer Conf Room(Teams) 11:27

Tya-Mathis Coleman: Today I will share an update on our newly recently approved marketing contracts. As a reminder, in November 2023, four firms were asked to present to our internal team during a two-day period. Each vendor provided the team with an in-depth marketing presentation. From the presentations, 3 firms were selected for our marketing contract: the Abbi Agency, Davidson Belluso, and the Estipona Group. The staff recommended that the scope of work be divided amongst the three vendors for the remainder of the fiscal year, according to the expertise and specialization of each vendor. The allocated budget will be a pool and will be allocated to one of the three vendors depending on the service being provided. The identified work areas include, but are not limited to: PR, content creation, graphic design, website hosting and services, account administration, video production, the production of public facing materials in both English and Spanish, and other duties as assigned. Last week, the Board of Examiners approved the contracts; copies of the finalized contracts are included in your meeting materials. One point of clarification on the final contract amounts: because these contracts are shared funding contracts, each contract separately list the maximum amount we have available to spend on all three. Each contact lists the total not to exceed the amount of $345,299. However, each vendor will not be able to spend that amount separately. Rather, that is our maximum amount we can spend amongst all three vendors total. Now that the contracts have been approved, the team will hold strategy meetings to finalize an agreement on the proper delineation of the marketing deliverables and duties by firm. Understanding that this is a partnership and our team is committed to continued communication to ensure successful implementation. As always, please feel free to contact me or our Marketing Coordinator, Troy Watts, if you have any questions or concerns. Thank you.

Zach Conine: Thank you, Doctor. Any questions for Doctor Tya Mathis-Coleman? I just put one additional point of color there. Obviously, our goal here is to make sure that we have multiple vendors who're able to bring their best ideas forward and we expect the cream will rise to the top there. But when we only pick a marketing contract every couple of years and then sort of it can get a little stale along the way.

Johnny Saldana joined the meeting

Gov-Vegas Grant Sawyer Conf Room(Teams) 13:51

Zach Conine: So we wanted to make sure we can keep it fresh and exciting. We think a little bit of competition, will do that, so, that's what we're going for. Thank you, Doctor. Last call for questions? Otherwise, we will close that agenda and move on to 8B, an update on the Putnam contract from Kirsten Van Ry.

Kirsten Van Ry: Thank you, Treasurer. Just a brief update following our meeting from last month. So, staff is working to review alternative options with both Franklin Templeton, and we're looking into what other provider options may exist. We're still in the information collection phase but will provide the board with another update at the June board meeting.

Zach Conine: OK. Any questions regarding the Putnam contract? And we talked about that quite a bit last time. Alright. With that, we will close that agenda item; and it's informational only and does not require a vote. Thank you, Doctor Van Ry. Moving on to agenda item number 9 for discussion and possible action. Nevada Prepaid Tuition Investment Monitoring Report prepared by Meketa Investment Group for the quarter ending December 31st, 2023; and Kay is in the room.

Kay Ceserani: Great, so wonderful to be here today and see everybody in person, at least those that are here. And I have my colleague, Kevin McLaughlin, on the phone as well, to hear these reports. But I'm going to start on page, let's see, 215 of your packet and this is our prepaid report.

a0aefdcd-3293-4173-a6c5-30c97bedb67c joined the meeting

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 15:08

Kay Ceserani: The first couple pages just cover the markets. It was an eventful year in 2023, where there was lots of up and downs. The markets were up through July and then we had a 10% sell off down through November, and then things bounced back the last few months of the year. From an economic standpoint, there's some indicators on this page. It was a data driven year as well, where the main focus was on inflation and unemployment and we had the higher for longer mantra. The first part of the year and then that faded away in the last quarter as the Fed signaled that there was potential cuts potentially happening on sometime in 2024, although that has ebbed a little bit with some data that's come out early this year. So initially they were saying someone did not know the market was saying someone did nine cuts. Now it's more like 3 to 5 from the market, which is more aligned with what the Fed is saying and closer to the end of the year versus earlier in the year. I think it's also worth noting the yield curve which is on the bottom right of this page where you can see that there was a big move between the third and fourth quarter, four rates fell about 70 basis points for the 10 year. So I'll also just highlight a couple things on the next page because it plays a little bit more into the prepaid plan as well as the other plans we're going to talk about later. And this page shows you the performance of several of the market indices out there, and it covers the broad asset classes to domestic equity, non U.S.

Miles Christopher left the meeting

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 16:39

Kay Ceserani: Equity, fixed income, couple other categories, but one thing you can take away from this page is that there's not a lot of red and that a lot of the numbers in the first two columns, which are the quarter and the one year period, they're all positive.

Tarapacki, Jacklyn (AM, USA) joined the meeting

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 16:52

Kay Ceserani: And a lot of them are in the double digits and some of them are pretty big numbers. But just to hit a couple of the points that might be useful if you look at just the domestic equity, you can see the S&P returned 11.7% for the quarter. Small caps were the best performing or small cap value is the best performing segment of this space and growth outperformed in the large and mid-cap space but not in the small cap space for small cap value outperformed small cap growth by about 2 1/2%. On the non-U.S. Equity side, you can see that the EAFE returned 10.4%, so it lagged the domestic markets, emerging markets was at 7.9%, troubles in China really kind of pulled that number down. They return 4.2% for the quarter and then fixed income was buoyed by the dovish comments from the Fed and they had positive results.
If you go over to the next column, the one you're calling, you can see the numbers are even bigger than for the quarter, which is nice to see with the 26.3% return for the one year. You know, one notable thing I think worth mentioning is just a difference between growth and value. If you look at the large cap growth and the large cap value numbers 42.7% you have 42.7, it's a huge number versus 11.5, which is a massive gap between the two.

Tarapacki, Jacklyn (AM, USA) left the meeting

Gov-Vegas Grant Sawyer Conf Room(Teams) 18:15
Kay Ceserani: And that's really driven by the concentrated nature of the market with I'm sure you've all heard the magnificent 7.

7b6837b6-73a2-42ae-8076-8d9831932f29 joined the meeting

Gov-Vegas Grant Sawyer Conf Room(Teams) 18:20
Kay Ceserani: We've talked about it before, but those securities have really dominated the results of the equity indexes over this last year. And then as you go down the market cap, the disparity between growth and value gets a little bit narrower. And then of course you can also see positive results for non-US equities over the same time period as for the same thing for fixed income with high yield doing the best. On the next page, we have a kind of a summary page for the Prepaid Plan. I’ll make a couple comments and then we have an error that I'm going to speak to and we will send you a revised report, but if we just focus on the first couple paragraphs, the fund ended the quarter with 408 million, which was up 30 million

from the previous quarter and up about 50 million since the last year end.
From an asset allocation standpoint, all of the portfolios are within their policy targets. There's a little bit of deviation, but that's really due to market movement and none of them are outside of the acceptable range. So where the mistake is, the return that we had for Garcia and Hamilton was incorrect. And so it's good news because the results are actually better than what are painted here on this page.
So if you look at the total portfolio return, and I'll just read off what the correct numbers are so you have them. So for the quarter, it says 8.2 it should be 9.1 for that net if you return, which is an outperformance of 30 basis points versus underperformance of 60. And then the one year at 16.4 instead of the 15.5. So again, outperformance by 60 basis points. 5.4 instead of 5.1 for three years and 9.6 instead of 9.4 for the five years. So in all cases the results look much better than are presented here. My apologies for that, we had an error in the data that we have. But we will get you a repaired report, we'll send you a revised one. So if we just flip ahead to the next page 219, I guess you can see the performance for each of the asset classes as well as all of the underlying funds; the public equity portfolios are all passively managed and they produced results within expectations. The two active managers are the Garcia Hamilton and the Glenmede, and both of them performed well, though it doesn't look like it on this page because the data is wrong for Garcia Hamilton. I will note the market value is correct, it was just the return that is incorrect. And lastly, we'll look at page 222 and this shows you the allocation by asset class and gives us a little more clarity on what the actual numbers are versus the policy. The policy is that column there in the middle and then you can see off to the very far right whether or not they're within the range, the only one that isn't is cash, the policy range for that is zero, and there's no range around it, and it sends 0.3, and that ebbs and flow with monies coming in and going out. So overall it was a good quarter. So the return was 9.1 overall, which is, you know, for the quarter, you're assumed annual rate of return is 5.25. So you bested that by a wide margin, not only over the quarter, but also overall, so well done.

Zach Conine: Thanks Kay.

Kay Ceserani: Sure.

Zach Conine: Any questions for Kay on the report? Otherwise, I would take a motion to accept the report with the correction. So when we get the corrected report, will have that be the one that the board has just accepted, as Kay just took us through.

Robin Hager: Move to approve.

Zach Conine: Thank you. We have a move to approve with correction from Member Hager.

Zach Conine: Do we have a second?

Michael Rankin: I'll second that.

Zach Conine: Alright, we have a second. Any discussion on the motion? All in favor, say aye.

Michael Rankin: Aye.

Zach Conine: Aye.

DV **Donna Velez** 22:21

Aye.

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 22:22

Zach Conine: Any oppose? Motion passes unanimously. Moving on to agenda item number 10 for discussion and possible action. The Nevada 529 College Savings Plan Investment Monitor Report prepared by Meketa investment Group for the quarter ending December 31st. Once again, back to you Kay.

Kay Ceserani: OK, great. Alright. So on this, we're going to start on page 228 of your packet and this is a reminder, we go through the results kind of a high level in terms of our review of each of the funds. So we're going to start with Vanguard. There were 73% of the funds were in either the positive or acceptable range, which are the, you know, the categories we want to see the funds in. There were four funds that were either in caution or watch the three that were in caution were too passive. International equity funds those funds have been on the list before and they fall into that category due to fair value pricing. And that'll be a common theme that will mention, and you've heard about before. The other fund that's in that category is the STAR fund. That fund was approved to be removed from the program. Not exactly sure of the timing of that, but I know it's going to happen eventually and but it had a good quarter was up 10.4 versus 9.3% for the quarter.

Lance Humphrey joined the meeting

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 23:30

Kay Ceserani: And then the one fund that remains on watch is the vanguard US growth fund. It's been on the list for 24 months so it fails and it fails the medium term criteria. It's actually done quite well recently. It's a silver rated fund by Morningstar, and just as a reminder, at this fund is sub-advised by three other providers. And there's been some change in that structure over the last several years, most recently in May, where Vanguard also managed a portion of it. And they stepped away. And the three remaining managers are Wellington. They manage 50% of it, Jennison manages 30%, and Bailey Gifford manages 20%. They each have their own unique style on how they look at growth and how they invest. Wellington focuses on durable companies with competitive advantages and typically holds between 50 and 80 names. Jennison focuses on sale growth and isn't as concerned about price. They hold about 30 to 50, and then Bailey Gifford focuses on innovative growth and they have more of a tilt towards mid and small cap and they also hold between 30 and 50 names. And they're really looking for doubles. So they want to hire a company that expect to double in value every two to three years. So those things I just mentioned for the last two Jennison and Bailey have really improved performance over the most recent quarter. The small cap bias helped, as did the high growth momentum focus and they return 15-point 4 vs 14.2. So up 1.8% for the quarter, so improvement but still qualify for watching the underperformance. Why they qualify is really from 2022, where some of the growth factors that have working now didn't work. So we'll continue to monitor that fund. If we look at the next page, we have USAA and Putnam, USAA, 100% of the funds are in that desired space, with nine of them or 90% being in a positive. For Putnam, there were two funds that qualified for watch; I'll start off with the one that we're recommending to be removed, the Putnam large CAP Growth fund. This has been on the list I think for nine months and it returned 15% versus 14.2 for the quarter, it no longer qualifies.

It used to be the Putnam Growth Opportunities Fund, in case that rings a bell, and it also was qualifying for that medium term performance, that bad performance that had happened in the past, but it no longer qualifies. And then lastly the Federated Hermes short term investment government bond fund. It's a mouthful. That one was put on the list last month, or last quarter, it's been on for three months. It fails. It outperformed for the quarter by 10 basis points, but it still fails the criteria due to some previous underperformance. All of the underperformance has been somewhat marginal between I want to say 20 and 60 basis points, so it's causing that longer term criteria measurement to be below the threshold, but it did outperform for the quarter by 10 basis points. Lastly, we have Wealthfront and JP Morgan. On the next page, as you can see, most of the funds for both of these programs are either in the positive or acceptable range. The ones that have fallen in the caution range, again, most of those are the passive international equity funds either fixed income or equity. On the fixed income side, it's really due to the sampling structure or sampling process on how they choose the securities to hold. They can't buy every bond, so they pick ones that mimic the index's characteristics, and sometimes that jacks up the tracking error. So no funds qualified for either of those on watch. On page 275, we have our memo, which goes into more detail although I covered most of it already. On this page we list the three funds that were on the list. We show their performance since they've been on watch. The two for Putnam both have outperformed over the watch period, and as I mentioned, all three of them have seen signs of improvement. All outperforming their benchmarks for the recent quarter. So we're recommending the Putnam large CAP Growth fund be removed as it no longer qualifies and that the other two remain on watch. Happy to take any questions.

Zach Conine: Alright, thank you. Any questions for Kay? Alright, hearing none, we'll take motion to accept those recommendations and the report.

Michael Rankin: I'll make a motion to accept.

Zach Conine: Alright, we have a motion. Thank you. Do we have a second?

DV **Donna Velez** 28:19
I'll second.

Gov-Vegas Grant Sawyer Conf Room(Teams) 28:20

Zach Conine: We have a motion and a second. Any discussion on this agenda item? Hearing none, all in favor, say aye.

Michael Rankin: Aye

Robin Hager: Aye

Zach Conine: Aye

Donna Velez 28:27

Aye.

Gov-Vegas Grant Sawyer Conf Room(Teams) 28:28

Zach Conine: Any opposed? Motion passes unanimously and moving on to agenda item number 11 for discussion and possible action. The JP Morgan Future Path presentation on the 2024 Investment Review and recommended changes. JP Morgan is in the room. I'll turn it over to you.

Tricia Scarlata: Thank you so much, for those of you that don't know me personally. I'm Tricia Scarlata, I head up the Education savings business for JP Morgan and I am here today with two of my colleagues in the room, Doug Pollack, who is the investment specialist for Education savings business and we have Morgan Moriarty who is our head portfolio manager for the Future Path plan. On the phone, we also have some folks, we have Will Bishop, who you could see on top there, say hi Will. Will is the relationship manager for Future Path who started with us in the Fall and working alongside me but soon to be fully engaged and fully working with you Kirsten and the team. And then we also have our marketing team on the line, Liz Farrell, who I know you've been engaging with a bit. Kirsten and Tya, Liz Farrell and Jacklyn Tarapacki. So they both support the plan, so the team is here both in person and virtually. So today is our first annual review, even though we've only been with the state for six months, I think we've accomplished a lot in six months. We're very excited and proud. We've talked about launching the plan, a seamless transition of the assets over to JP Morgan in June, and now having six months under our belt in terms of the investment management of the team. So they're excited to share some of the results and recommendations for 2024. And so with that, I will turn it over to my colleague, Doug, and he'll, you know, give you some more details.

Doug Pollack: Wonderful, for agenda, we thought covering a little bit about performance asset allocation, how we took over the plan, a little bit about our philosophy for a few minutes would be helpful. Then we'll talk about the recommendations. So two part approach in the packet. We'll start with Slide 285, which has a little bit about the process and different components around the success and bringing in Morgan, it's something that we've worked on together with the portfolio management team which thinking about the previous plan and all the things that we were able to do to what we brought is this first successful six-month period.

Morgan Moriarty: Thanks, Doug. So first and foremost as Doug mentioned, we wanted to provide some kind of philosophy on our approach to 529 plan investing and glide path construction. First and foremost, we start with participant research. So how do families engage with 529 plans? How do they use them? What we know from our research and what we know from your participant behavior, we work with the census to get that data, is that participants are very good savers. They start accounts early, they contribute regularly, and most importantly, they leave the money in the plan until it's time to use it. And what that enables us to do as asset allocators, is to leave the plan allocated to return seeking assets for as long as we possibly can, so that you may benefit from compounding; because investors do not use their 529 plans in the way that you write a brokerage account, and pull money out when you see a drawdown, you can use that really strong behavior to hold an allocation to things like equities overall for a period of time and allow for the portfolio to compound and those assets to grow. We also leverage JP Morgan's long term capital market assumptions and those are 10 to 15 year outlook for asset class returns across equities, fixed income credit, and that's determined by a committee of senior investors across the JP Morgan platform and also class specialists. And then finally, we bring together our active process. So blending active security selection with passive works very closely with you all on a budget that was appropriate for your participants, and that was something that very much informed our portfolio design. We're very proud to have been able to include active security selection within the glide path because in it's already generating some value for investors and then very finally, you know what is the multi asset solutions organizations shorter term outlook on the market. So how can kind of tilt the portfolio in and out of different asset classes where we see either opportunities or risks? It's my slide five, I think it's your slide show 86, just shows a picture. It's called the Future Path 529 enrollment portfolios, glide path of colors there, but you can kind of see the shape of our glide path then how the portfolios are allocated as those enrollment portfolios would do this over time. And the following slide is kind of a snapshot in time of where each of the enrollment portfolios sit today. On Slide 7, this is a kind of a summary of our shorter-term market outlook and as Kay noted, 2023 was a very dynamic year in markets. Our active process is anchored in what we call our quarterly strategy summit, and that is where senior investors come together from across the globe and debate and discuss and define what we think are going to be kind of the key themes in markets over the next 3 to 12 months. And that doesn't mean that we sort of set purpose and don't touch them or reviews don't evolve over time, but it does help us focus on where we think it's most important for us to pay the most attention and monitor where we think the most opportunities are for portfolios. Going back to our September strategy summit, we began to feel that the sell off you were seeing in equity markets towards the end of the summer it was kind of in line with our growth expectations presented opportunities for investors so. As we were looking at economic growth, particularly in the US, it appeared to us that the consumer was really resilient. The corporations had been able to navigate this elevated monetary policy environment quite nimbly, and that kind of sell off in equity markets presented and an entry opportunity. So in what I would say probably November, we began moving overweight equities in these portfolios starting with US small CAP. Why US small cap? Well valuation small cap efficiency becomes so cheap and cheap to a point that it didn't make sense relative to what we thought economic growth could be in the United States over the next 6 to 12 months. So for us that presented a really attractive opportunity for investors and the interest to a small cap equity overweight. Alongside that because we know that we are still in an elevated monetary policy environment and we while we expect growth to be resilient, we don't expect that to necessarily be the path. We paired that with an allegation to us large CAP growth and equities and why growth. Well, those are some of the highest free cash flow, highest quality companies in the US equities market, the magnificent 7. And so that for us was a way to position the portfolios for steadier growth, a moderating inflation environment. So it's our belief that that's next to cut, not to hike and that that should benefit both equities and fixed income markets. We have had, alongside that, a small allocation to emerging market equity, umm there that is a belief that one evaluation from China are very, very cheap. That's about 30, 40% of the market. The other 60% has a very kind of compelling growth opportunity, whether that's conductor cycle in Taiwan and South Korea or just the kind of strong economic growth story that you see in India. So we thought there were kind of many things that could benefit emerging market equities because again in a backdrop where the Fed, has this policy which is it's generally good for emerging market equities. So we have been overweight equities in your portfolio really again starting in November of last year through to today. So today we're about 5% overweight equities across the portfolio; that's presented a strong opportunity for investors. And I think the question for us going forward is, you know, how long can this this equity market rally persist- watching that very carefully wanting to be very cognizant of, you know, right sizing or being appropriately positioned for the returns of the kinds going forward. Happy to take questions about our outlook position.

Zach Conine: Any questions from board members? Very thorough. Thank you.

Doug Pollack: Thank you, and I'll take us to the next page. I think it's 289 in the packets. Slide 8, in our particular deck and what we've done here is a spotlight on the middle of the glide path. So this is the 2033 enrollment year portfolio, it's approximately a 60-40 type portfolio and you could see the different changes that that Morgan was highlighting being overweight US equities through small cap. They go away to emerging markets and such. We also when you're funding something, it has to go from somewhere else. It came from a core equities, core bonds. Excuse me, core bonds. And so leaning into those equities to take advantage of a positive economic experience. On the right side, a little bit of performance and attribution commentary, again six months is not a long period of time, but we feel like we've gotten off to a start really as expected. So we’re pleased that we have some excess returns above and beyond the benchmarks, but there's a little bit more to that and I want to spend a little bit of time on that. One: when we took over the plan and the philosophy of making sure we have the appropriate risk across the glide path with the investor types, we added a little bit more return seeking assets; and so overall, the absolute return went up and then the previous portfolios would have

done because we're holding a little bit more equity content. And so, since inception from the middle of last year, late last June, generating returns, net of all the fees create .6 plus percent. Really nice return that is above and beyond the benchmark, but again that of the fees when you're purely indexing, you have a little bit of the fee drag and so the uh, the discussions that we have about adding you all a little bit of active content to the portfolio about 30% and the asset allocation chips helped us do better. And so we feel very good about the additional performance to more than more than come to the fees, some of the things that worked already talked about: overweight equities specifically in small cap, uh equities generally outperformed fixed income. And then within the active managers, that and the security selection overseen by Morgan's team, those stock pickers and bond pickers actually did well outperforming their individual states. The only thing that we can find is everything was really firing on all cylinders is uh well, equities outperform fixed income.
Fixed income also did well and so by being underweight overall fixed income, that was a little particular drag in that bucket. But some of our ideas are going to bring in the portfolio recommendation section will address that, and so again we feel good about the start. I think our recommendations are not revolutionary. We've got some, you know, minor thoughts here. It's going to be around security selection and how do we have more and more confidence about the active portion of that portfolio? And then what are the particular tools that might be useful for Morgan and team to use to address the macro conditions? And so we'll turn folks a few pages ahead to the proposal summary. Proposal for the Future Path of page 12 in the lower left of our deck and I'll bring in Morgan unless there are other questions.

Zach Conine: Please continue.

Morgan Moriarty: Thanks, Doug. So again, we are on the slide titled Proposal for the Future Path 529 portfolios. We have two key recommendations, one being more strategic in nature, one being to expand our tactical toolkit. First on that more strategic in nature is to add an allocation to JP Morgan's global select equity ETF. So this is a global, actively managed global equity strategy. The ETF itself was launched in August of this year, so shortly after the Future Path Plan was launched, but the multi asset organization has been investing in the strategy going back to about 2018 and we've actually been investing Helge Skibeli, one of the key portfolio managers on the strategy going back to the early 2000s. If it's a managing class equity strategy, so again the vehicle itself is relatively new, the strategy is one that we have been using extensively across our portfolios for many years and some of that is really kind of a key partner for us in that security selection decision, the strategy is a developed market global equity strategy. So MSCI world, US, Europe, Japan, you can tactically make decisions to allocate to securities and emerging markets if they think that they're the opportunity. But that's a pretty modest tool in their toolkit and the, you know, they generate value for investors predominantly through security selection. So the strategy does not rely on making very large regional allocation back as a way of generating alpha. That pairs very nicely with our process as asset allocators. The next page has some kind of highlights on the strategy, so again the portfolio management team, Helge Skibeli, have been at it for very long time. Again, we've worked there, longtime partners of our team and our organization and they're backed by JP Morgan's global equity research analyst platform, which is 300, some odd strong senior equity research analysts and sector specialists across the globe. The team runs a fairly concentrated portfolio, so call it roughly 60 to 80 names and any given point of time relative to a benchmark that has roughly 2000 names. They're really making very targeted decisions about the stuff that they wish to own. They've been very successful in their process. You can see, some pages later in the presentation, but this is a gross of fee number, but they're generated about 2.9% excess returns, 2.3% excess return from that versus the benchmark. Since Helge and Christian took over the strategy in 2015. As far as the JGLO strategy itself, ETF, we think this kind of fee profile and the strategy fits in very nicely in the JGLO path plan. It's a 47 basis points and you know from a net of fee perspective, we think that this has been really [inaudible] in the glide path. So I'm happy to go through while we have some other pages or any questions on that strategy in particular before I move into our second recommendation?

Zach Conine: Please, continue.

Doug Pollack: No changes to the overall portfolio fee, so there was a reallocation, we've got some details in terms of the funding sources and where we can take the money and get, you know, put the money into JGLO.

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Gov-Vegas Grant Sawyer Conf Room(Teams) 46:10

Doug Pollack: Overall, we wanted to make sure there was no changes to kind of the composition of the portfolios in terms of US, Global equities, international equities and such. Thank you.

Morgan Moriarty: Doug that's a very important point. So there's some materials later on in the slides that show kind of how we would fund that across the portfolios and from a regional perspective, it was all funded very regionally controlled. So we are looking to maintain a consistent allegation to the US and non US applies as we would add this to the portfolios. Our second recommendation would be to expand the tactical asset allocation toolkit with a series of fixed income ETFs that offer kind of targeted duration exposure. So when I say duration, the sensitivity of each of those ETFs or those bonds, ETF, to changes in interest rates following COVID and what we would characterize as an environment where we're expecting to see more 2-sided risk on inflation and therefore a more dynamic Central Bank but over the next market cycle what we think having ability to what we would call fine tune our fixed income allocation portfolios over time can be value adds to our to the Future Path plan. As Doug noted, we in one of our detractors was needing to sell fixed income in order to buy equities. You wanted to overweight equities. We actually quite like fixed income at this point in the cycle. We know that inflation is trending downwards. It's our view that again with the Feds next to cut, not to hike, all of that should be very supportive of a fixed income portfolio. So what something like these ETFs wouldn't allow us to do is while I'm selling the US aggregate bonds you have in order to buy equities. You can sell a little bit more of that ETF and buy back the BBLB, which is the long treasury ETF, which is a way to keep my overall portfolio sensitivity to interest rates consistent. So it just helps us fine tune that allocation. Another example, if you go back to call it the Fall 2022, when inflation was spiking, we knew that the Fed was going to be hiking policy to bring interest rates under control, inflation under control, we would have been able to sell aggregate bonds and take part of that capital and put it into one of the shorter duration ETFS as the way to lower interest rates, sensitivity of the portfolio to market movements. So that's something that we would recommend adding to the portfolio. It helps us just fine tune, so those are views that have that are happening across our process anyway and it enables us to fine tune the portfolios.

Tricia Scarlata: And just to make sure that's not we're not adding that to the glide path. That's sort of, you know, Morgan's toolkit. If she wants to, you know, that overarching sort of asset allocation changes that you can make, this is in your toolkit of things you can bring in when you need it.

Morgan Moriarty: Yes, yeah. So think of what we would call our tactical toolkit as a series of strategies that we keep on a bookshelf. And then when we think that we need them to reflect, if that's something, [inaudible] there short-term allocation [inaudible]. And that's something we always try to keep fresh as I think about how markets are evolving and strategies available on our platform.

Tricia Scarlata: and that's one of the unique things about the plan. Is that ability to have that overarching sort of you know, ability to make adjustments, that's what really makes us very unique just across 529 plans in the industry. So we certainly try to keep that as built up and have as best a toolkit as we can so that we can we can add on when it's potential is there.

Doug Pollack: I think that concludes the prepared remarks from JP Morgan unless there are any questions or comments or thoughts.

Zach Conine: Questions, comments, or thoughts from board members?

Michael Rankin: None here.

Zach Conine: OK, let's move on. Thank you. The second piece, which is the discussion from Meketa on the same topic.

Kay Ceserani: OK, great. So we have a deck as well and I think it might make sense just to take a step back and set the table in terms of what is currently included in the program, which is on page 320, and we have just a picture here showing that currently the structure you have 7 enrollment portfolios, you have 3 static portfolios and 17 individual portfolios and then there are these building blocks that were just discussed in terms of how especially the two on the left, the blue and the green buckets get made up. And so they're static allocation investments, which the JGLO would be part of. And then there's also these active allocation funds that they can use to insert their views, like you just mentioned. And so there's 11 and 18 of those. And then they have the ability to make some tactical decisions up to ± 15% at the asset allocation level. So that's what you have and how they can rejigger it, technical term there, in terms of how the portfolios look on regular basis. So they just went through what they're proposing. I think the one thing maybe that you didn't mention was the addition of that global equity ETF means that two funds are being removed.

Tricia Scarlata: Yeah.

Morgan Moriarty: Yes.

Kay Ceserani: So there is a U.S. Equity the JP Morgan U.S. Equity funds being removed, and then the JP Morgan International Research Enhanced Equity ETF that's being removed. So that's what's being proposed. And then on the next page 322, we just show you the same picture with the adjustments and you can see the number of individual portfolios goes up by 1, as does the addition of a couple funds for the strategic asset allocation, one is being added, two are being removed. And then the toolkit funds go up by 5. So we have our findings on the next page. I won't go through all of our analysis, but I can tell you what we did. So we take and we look at the portfolios and we look at the whole glide path and as a continuum, age 0 to matriculation and we put it through our asset allocation model and it takes into consideration derisking and it looks at the asset allocation at the sub asset class level and we take the current portfolio of the current glide path and then the proposed glide path and push them through there, and what gets spit out. It's just one set of numbers and expected return and expected risk and we have that further in here and what we found is that they're about the same, as you would expect because they're not really changing the structure, they're just changing the way they gain access to the equity markets. So, from that standpoint, we think it's fine. Another thing, the addition of the additional fixed income ETFs into the toolkit, we think that's good. It gives you the ability to manage their interest rate risk, which is also a good thing. It does increase the number of individual portfolios you have by adding the global equity fund, but it's within the range of what the industry average would be for an advisor plan. That's about 16. Most plans have around 16. The high is really high. I think it's like 35, so that's not a problem either. And I do like the fact that you would have, umm, one fund that's just a global equity fund where if a participant wanted equity and they don't really know or the advisor doesn't really know how they might want to split it up, they can just choose one and it it's getting you're getting the whole basket – we like that. And then the fees stayed the same. So we are recommending that you adopt their proposal.

Zach Conine: Thank you. Any questions for Meketa? OK, given the presentation and the recommendation by Meketa, I'll take a motion to accept these changes and this agenda item.

Michael Rankin I'll make a motion to accept.

Zach Conine: Perfect. Do we have a second?

Robin Hager: I'll second.

DV **Donna Velez** 54:33
I'll second.

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 54:34
Zach Conine: Alright, we have a motion, and a second, and a second second. Any discussion on the motion? Hearing none, all in favor say aye. Aye.

Robin Hager: Aye.

Michael Rankin: Aye.

DV **Donna Velez** 54:44
Aye.

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 54:46
Zach Conine: Motion passes unanimously. Thank you. And we'll move on to agenda item #12. The fiscal year 2023 Nevada Prepaid Tuition Program Annual Report for possible action to approve. The Board to review and approve the fiscal year 2023

Annual Report completed to date for the Nevada Prepaid tuition program presentation by Doctor Kirsten Van Ry, Chief of Staff.

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Gov-Vegas Grant Sawyer Conf Room(Teams) 55:09
Kirsten Van Ry: Thank you, Treasurer.

Saini, Navdeep S (AM, USA) left the meeting

Gov-Vegas Grant Sawyer Conf Room(Teams) 55:10
Kirsten Van Ry: So pursuant to NRS 353B.170, the Board must submit an annual report of the Prepaid Tuition Program by March 31st of each year to the Governor and the Legislature. Attached is the annual report completed to date of the Nevada Higher Education Prepaid Tuition Trust Fund as of June 30th, 2023, prepared by State Treasurer staff and the actuaries, as is outlined in the memo and the next agenda item, the fiscal year 23 audit for the Prepaid Tuition Program, which includes necessary information for the annual report is not yet completed. We are working to get it finalized as quickly as possible, so the Annual report included in the meeting packet includes the information known to date, including enrollment statistics, investment performance and the actuarial report. We will provide the final version to the Board once the audit is complete.

Zach Conine: Do we have any questions by board members on this item?

Michael Rankin: Yeah. What were some of the factors that caused the delay?

Kirsten Van Ry: So I will defer to Chief Deputy Lori Hoover if she's on the line as my phone a friend. But it's my understanding that it's a computer system, the State's statewide financial system doesn't allow for data to be pulled in more than one fiscal year at a time. And so they were still in fiscal year 23. So we weren't able to pull fiscal year 20- or excuse me, they were still in 22. We weren't able to pull the data for 23, as what's necessary and I will punt it to Lori if she's on and has anything to add to that.

LH **Lori Hoover** 56:38

This is Lori Hoover and yeah, that's definitely correct. And just letting you know the “they” that Kirsten was referring to is the Controller's Office. So there's a lot of information we have to pane from the from the either the ACFR, the financial statement for the state, and/or from their work papers themselves. And they were not able to move forward with 23 in a timely manner due to the ACFR for not being published until a few weeks ago.

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 57:10

Michael Rankin: OK. Thank you.

Zach Conine: Any other questions from Members on this agenda item? Otherwise, I'll take a motion to approve the fiscal year 2023 annual report completed to date.

William Bishop left the meeting

DV **Donna Velez** 57:25

I move to approve.

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 57:25

Zach Conine: Thank you. Do we have a second?

Michael Rankin: I'll second that.

Zach Conine: Alright, we have a motion and a second. Any discussion on the motion? All in favor say aye.

Michael Rankin: Aye.

Robin Hager: Aye.

Zach Conine: Aye.

Zach Conine: Any opposed? Motion passes unanimously. Thank you. Then we'll move on to agenda item #12B, which is the memo to the Governor and Legislature. Given the situation with the audit, I'll turn it over to Doctor Van Ry.

Kirsten Van Ry: Yes, thank you, Treasurer. So, as noted in the previous agenda item, the audit of the prepaid tuition program is not complete.

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Gov-Vegas Grant Sawyer Conf Room(Teams) 58:03

Kirsten Van Ry: Our team has worked with our Deputy Attorney General Ting to determine that the best path forward in the event that the audit is not finalized by the time the annual report is due to the Governor and the Legislature on March 31st, Counsel has recommended the drafting of a memo outlining that the audit and financial statements will be late in submitting the memo, along with the annual report from the previous agenda item that's completed to date.

Kristina Ramirez joined the meeting

Gov-Vegas Grant Sawyer Conf Room(Teams) 58:27

Kirsten Van Ry: Happy to take any questions.

Zach Conine: And that memo was not in?

Kirsten Van Ry: Yeah, we sent it out last night and we updated the, it should be the very last page of the updated packet.

Zach Conine: OK, perfect. Any questions on that memo? I think it's pretty cut and dry, and pretty obvious. I'll take a motion to approve it then.

Michael Rankin: I'll make a motion to approve.

Zach Conine: Alright, we have a motion. Do we have a second?

Robin Hager: I'll second.

Zach Conine: We have a motion and a second. Any discussion on the motion? Hearing none, all in favor say aye.

Michael Rankin: Aye.

Robin Hager: Aye.

Zach Conine: Aye.

DV **Donna Velez** 59:09
Aye.

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 59:10
Zach Conine: Any opposed? Motion passes unanimously. Thank you all.
That brings us to agenda item #13. Our second period of public comment, do we have any public comment on the Teams? Hearing none, do we have any public comment in Carson City?

O **OST CC Conf Room** 59:31
Itzel Fausto: We do not, Treasurer.

G **Gov-Vegas Grant Sawyer Conf Room(Teams)** 59:33
Zach Conine: Thank you. Do we have any public comment in Las Vegas? Alright, we will then close the second period for public comment and move on to agenda item #14. We are adjourned. Thank you all.

CC **Christopher Catanese** 59:50
Thank you.

DV **Donna Velez** 59:52
Thank you.

Judy Minsk left the meeting

Christopher Catanese left the meeting

Jennifer Fuentes left the meeting

Troy Watts left the meeting

Jessica Campbell left the meeting

JS **Johnny Saldana** 59:56
Thank you.

Scott R. Kefer left the meeting

Donna Velez left the meeting

Jay Edwards left the meeting

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Miller,Christy left the meeting

Lance Humphrey left the meeting

Duffield,Stewart left the meeting

Fairchild,Jaime left the meeting

Kevin McLaughlin left the meeting

Blanca Platt left the meeting

Caroline Churchill left the meeting

Walker, Jennifer left the meeting

Kairer,Courtney left the meeting

Palmer, Sandra left the meeting

Ariel Luke left the meeting

Mannik Dhillon left the meeting

Johnny Saldana left the meeting

Leslie Milton left the meeting

Kristina Ramirez left the meeting

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Lori Hoover left the meeting

Itzel Fausto left the meeting

OST CC Conf Room left the meeting

Nikki Williams left the meeting

Itzel Fausto stopped transcription