



# Annual Report

Office of Nevada State Treasurer Zach Conine

FY22

July 1, 2021 – June 30, 2022

**Zach Conine**  
*State Treasurer*



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

March 1, 2023

Dear Governor Lombardo and Members of the Nevada Legislature:

Enclosed please find a copy of the Nevada Prepaid Tuition Program's Fiscal Year 2022 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 2022, the Treasurer's Office established 474 new Prepaid Tuition contracts, which brought the program's total enrollment to 23,216 children.

The Program continues to be self-sufficient, requiring no contribution from the State's General Fund. As of June 30, 2022, the funded ratio of the plan was 189.7% 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

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**NEVADA  
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## TABLE OF CONTENTS

<b>OVERVIEW .....</b>	<b>3</b>
<b>FINANCIAL STABILITY .....</b>	<b>3</b>
<b>FINANCIAL OBJECTIVES .....</b>	<b>4</b>
<b>CONTRACT PRICING .....</b>	<b>4</b>
<b>BENEFIT USAGE .....</b>	<b>4</b>
<b>ENROLLMENT STATISTICS .....</b>	<b>5</b>
<b>PROGRAM ENHANCEMENTS .....</b>	<b>6</b>
<b>SUMMARY OF ACTUARIAL VALUATION REPORT.....</b>	<b>6</b>
<b>SUMMARY OF INDEPENDENT AUDITOR’S REPORT.....</b>	<b>7</b>
<b>SUMMARY OF INVESTMENT REPORTS.....</b>	<b>7</b>
<b>APPENDIX A - ACTUARIAL VALUATION REPORT.....</b>	<b>A-1</b>
<b>APPENDIX B - INDEPENDENT AUDITOR’S REPORT .....</b>	<b>B-1</b>
<b>APPENDIX C - MEKETA INVESTMENT GROUP PERFORMANCE REVIEW .....</b>	<b>C-1</b>
<b>APPENDIX D- ENROLLMENT STATISTICAL CHARTS .....</b>	<b>D-1</b>

## 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 Fiscal Year 2022 (“FY22”), the Board consisted of 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 FY22, 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 FY22, the Board contracted with investment firms, Garcia Hamilton, 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 FY22, 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.

Despite the decreases in the Program's assets, operating revenue, and overall net position, these measures sustained the financial stability of the Program during FY22, and resulted in:

- A favorable rate of return of 6.6% on Actuarial Value of Assets, exceeding assumed return of 5.0%.
- A decrease of 1.5% (\$3,095,876) in total Program liabilities.
- A decrease of 23.7% (\$4,195,499) in the Program's total operating expenses.
- A decrease of \$40,295,391 (9.4%) in total assets.
- A funded status of 189.7%.

## FINANCIAL OBJECTIVES

The FY22 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 FY22 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 some of the contract rates for FY22 the same as the prior fiscal year.

## BENEFIT USAGE

When a contract beneficiary goes to college, benefits can be used at any eligible educational institution nationwide. Approximately 3,538 students used their tuition benefits at 293 different qualified institutions in FY22, which represented a slight increase of 1.6% from FY21. Benefits used in FY22 totaled \$12,034,687, which remained roughly the same as the prior fiscal year with only a 0.01% (\$1,282) increase from FY21. Of the total benefits paid out, \$7,866,977, or 65.4%, were paid on behalf of students attending Nevada System of Higher Education institutions. University of Nevada, Reno continues to remain the school with the largest distribution amount in FY 22 (40.74% or \$4,902,616).

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			
	FY22	FY21	FY20
In-state (NSHE)	\$7,866,977	\$8,030,073	\$7,915,816
Private / Out-of-State	\$4,167,710	\$4,003,333	\$4,083,823
<b>TOTAL</b>	<b>\$12,034,687</b>	<b>\$12,033,406</b>	<b>\$11,999,639</b>

As of June 30, 2022, a total of 4,613 students have utilized 100% of their contract benefits. Of those depleted contracts, 81.0% had a 4-year university plan.

## ENROLLMENT STATISTICS

The FY22 enrollment period ran from November 1, 2021 to April 30, 2022 and welcomed 474 new children into the Program. To better educate families about the Program and to grow enrollment, in FY22 the Treasurer's Office ("Office") 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 FY22 open enrollment are noted below.

**Program chosen:** Although a small decrease over the prior fiscal year, the four-year university plan in FY22 continued to be the most popular plan choice, with 60.3% of purchasers choosing this option, The second most popular choice for purchasers was the two-year university plan, which represented 13.9% of all contracts sold.

**Program Payment Options:** The lump-sum payment option continued to be the most popular payment option in FY22, representing 49.4% of participants' payment choices. The five-year, ten-year, and extended monthly installment payment options made up the remaining 50.6% of contracts purchased. Among new enrollees choosing a monthly payment option, 11.6% 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 (15.1%), 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 9.1% of families purchased Prepaid Tuition contracts for a one-year-old, which represented the second highest percentage of contracts sold, followed by Third and Fourth graders, with 7.59% each.

**Referral Source:** 32.9% of the purchasers indicated that they were an existing customer, followed by 24.3% indicating they heard about the program from a friend or relative, and 12.0% from a school or community event.

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 FY22 the Program continued to be presented with some challenges with the COVID-19 Pandemic, but was able to start hosting more in person events in addition to continuing its virtual outreach. Staff spent time and efforts educating Nevada about the benefits of the Program through webinars, social media, news interviews, and various events throughout the state. They also were able to complete some testimonials, which are featured on the Program's website, where Program participants were able to talk about the advantages of the Program and what the Program has meant to them and their families.

In FY22, the Program continued to be a part of the new NVigate brand 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 FY22 valuation. The Actuarial Valuation Report for FY22 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 FY22 and beyond.

Financially significant results experienced during FY22 are summarized below:

- The stabilization reserve (surplus) grew by \$19,768,904, or 12.0% 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 short-term tuition increase assumptions and investment experience.
- The actuarial value of assets grew by 4.5%, an increase of \$16,809,954 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 178.9% in FY21 to 189.7% in FY22. The interest at assumed return of 5.00 and the investment experience above the assumed return are the two largest items resulting in gains to the FY22 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 FY22, 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 FY22, the Independent Auditor's Report noted a material weakness on the statement of investments/related balances as initially recorded. Although this weakness was noted, it did not impact the overall funding of the Program. Management has agreed and adjusting audit entries were posted to correct the finding. Management is also working on securing additional funding and resources to provide additional training and enhance internal controls to ensure appropriate reconciliation and recording of investment and other related balances. Items of interest from the Auditor's Report include:

- Total assets held were \$387,764,053, a decrease of \$40,295,391 or 9.4% from the previous fiscal year.
- The Trust Fund saw a drop in total operating expenses in FY22. A substantial decrease of \$4,195,499 (23.7%) from the prior fiscal year brought the total operating expenses to \$13,542,651 in FY22.
- The Cash and Cash Equivalents also saw a decline in FY22 from the prior fiscal year. Cash and Cash Equivalents were \$6,333,974 in FY22, down from \$9,475,893 in FY21, a 33.2% decrease.
- In FY22 operating revenues slightly decreased by \$1,197,431, or 10.3% from the prior fiscal year.
- The overall net position for FY22 saw a significant decrease of \$37,125,446 (16.9%) 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 FY22, 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 declined to \$356,679,630 \$393,870,541 in FY22, a decrease of \$37,190,911, or 9.4% from the prior fiscal year.



- ◆ At the end of FY22, the Program's portfolio net rate of return on a Market Value basis was -9.00%, which was in line with the benchmark of -9.05%.
- ◆ The Program's three-year net rate of return was 6.25%, just slightly above the target benchmark of 5.69%.

## APPENDIX A- ACTUARIAL VALUATION REPORT

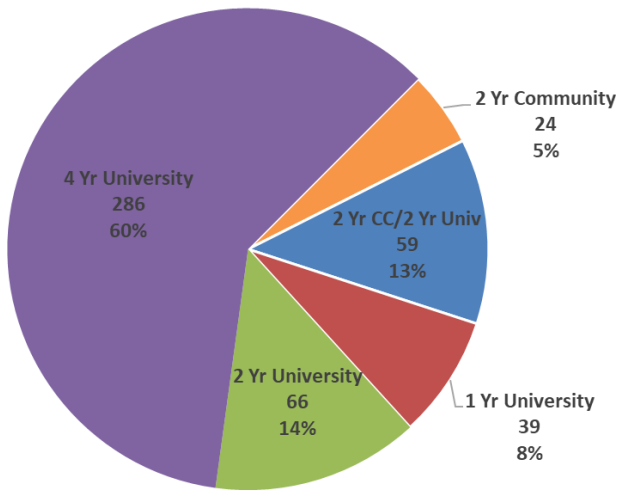
## APPENDIX B- INDEPENDENT AUDITOR'S REPORT

## APPENDIX C- MEKETA INVESTMENT GROUP PERFORMANCE REVIEW

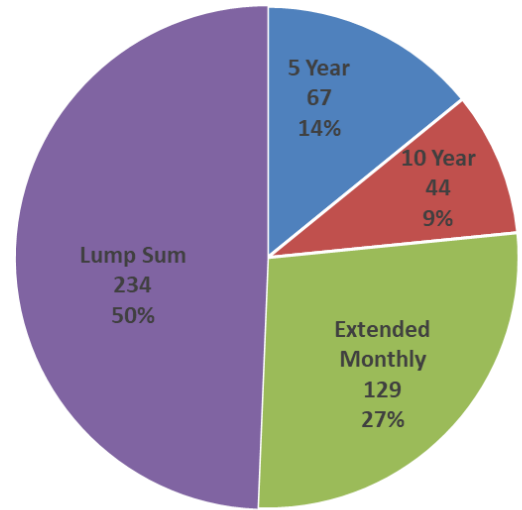
## APPENDIX D- ENROLLMENT STATISTICAL CHARTS

# NEW ENROLLMENTS FISCAL YEAR 2022

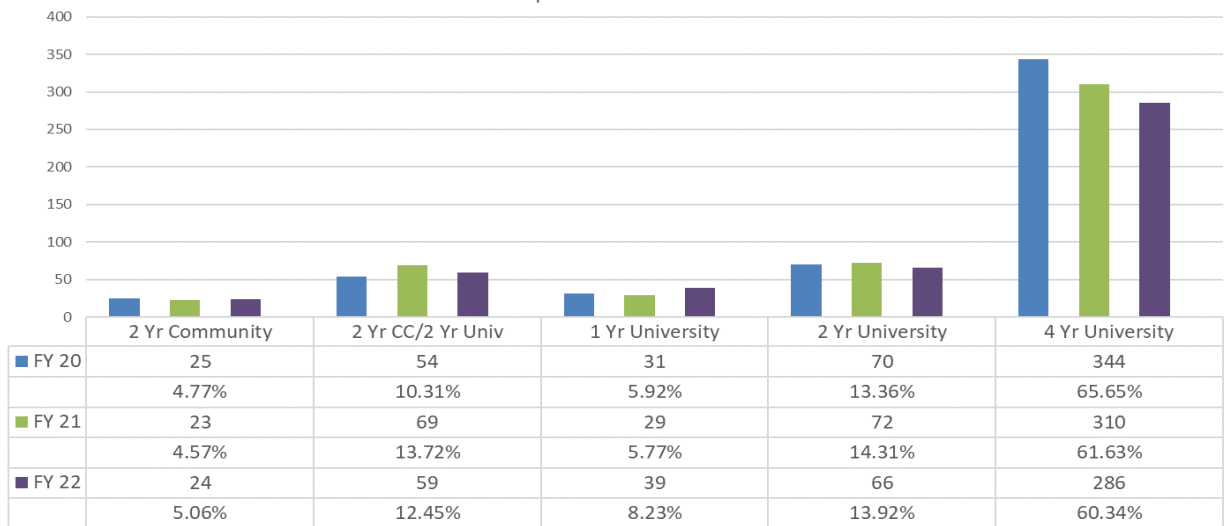
Fiscal Year 2022 Plans Chosen



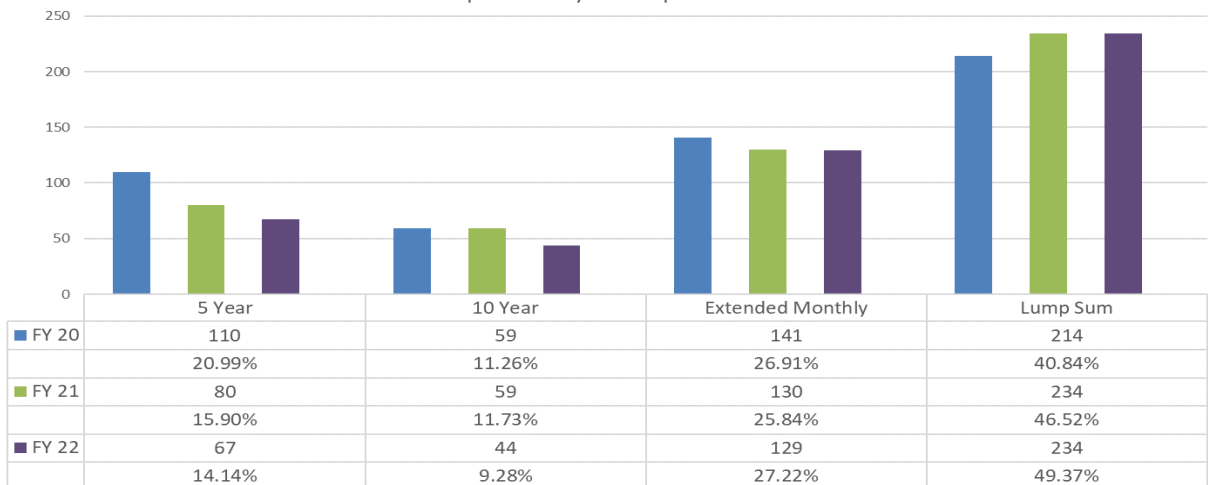
Fiscal Year 2022 Payment Options Chosen



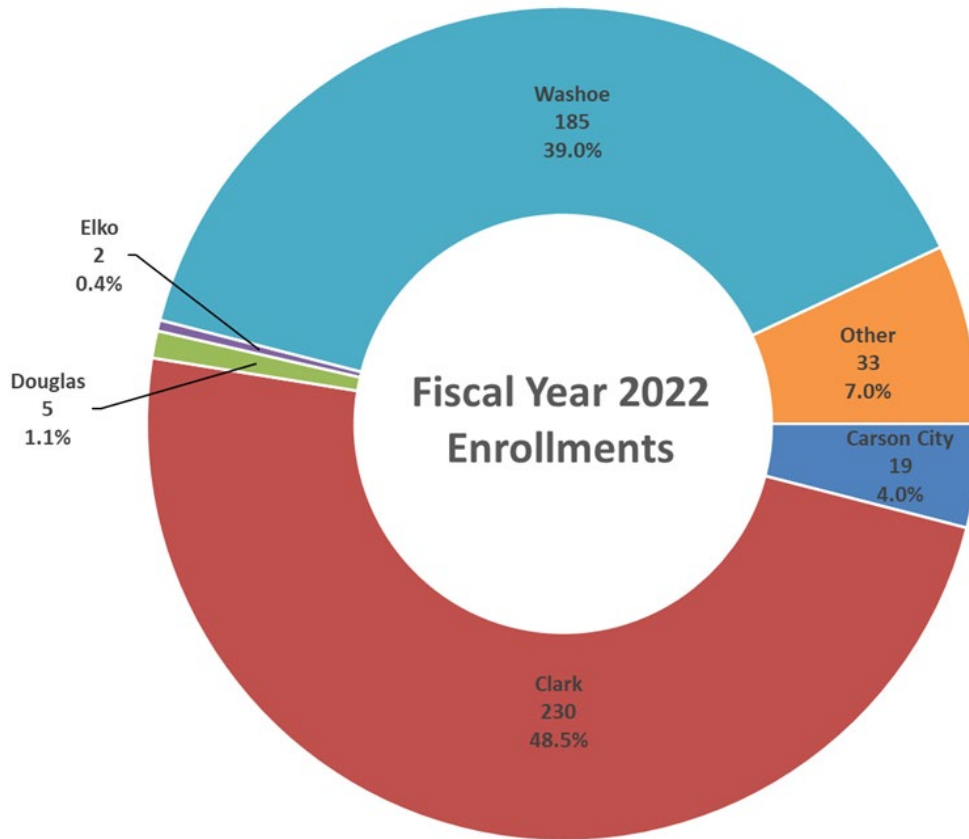
3 Year Comparison Plans Chosen



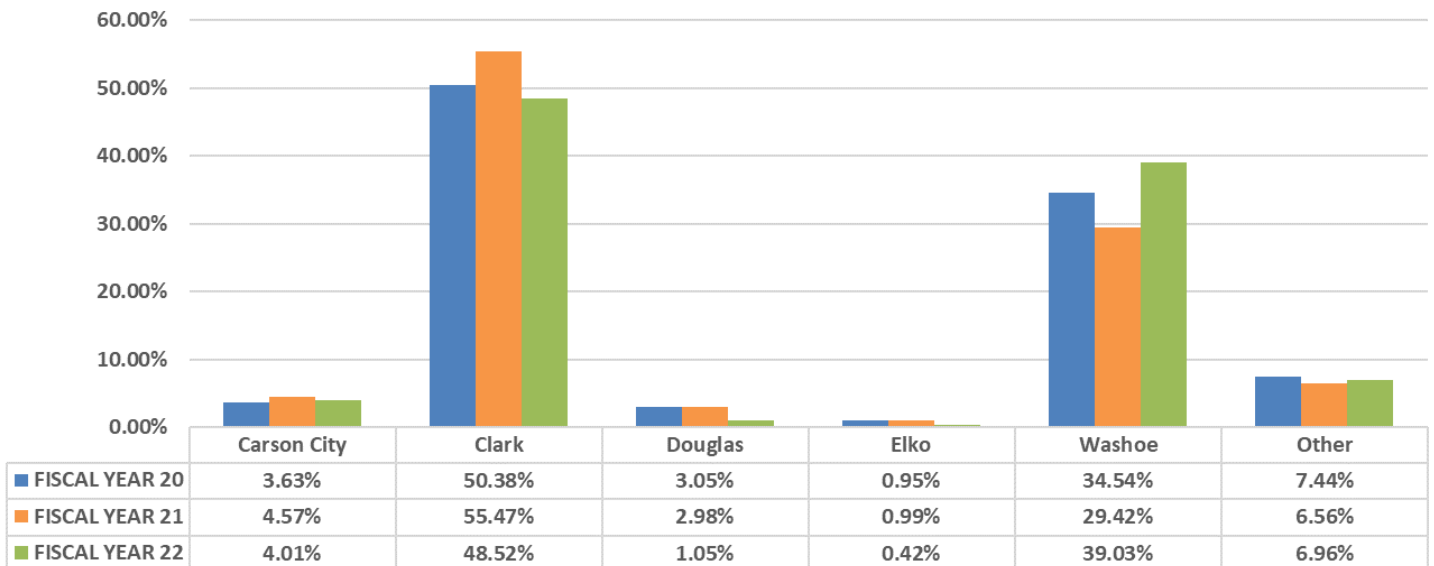
3 Year Comparison Payment Options Chosen



# CONTRACTS BY COUNTY

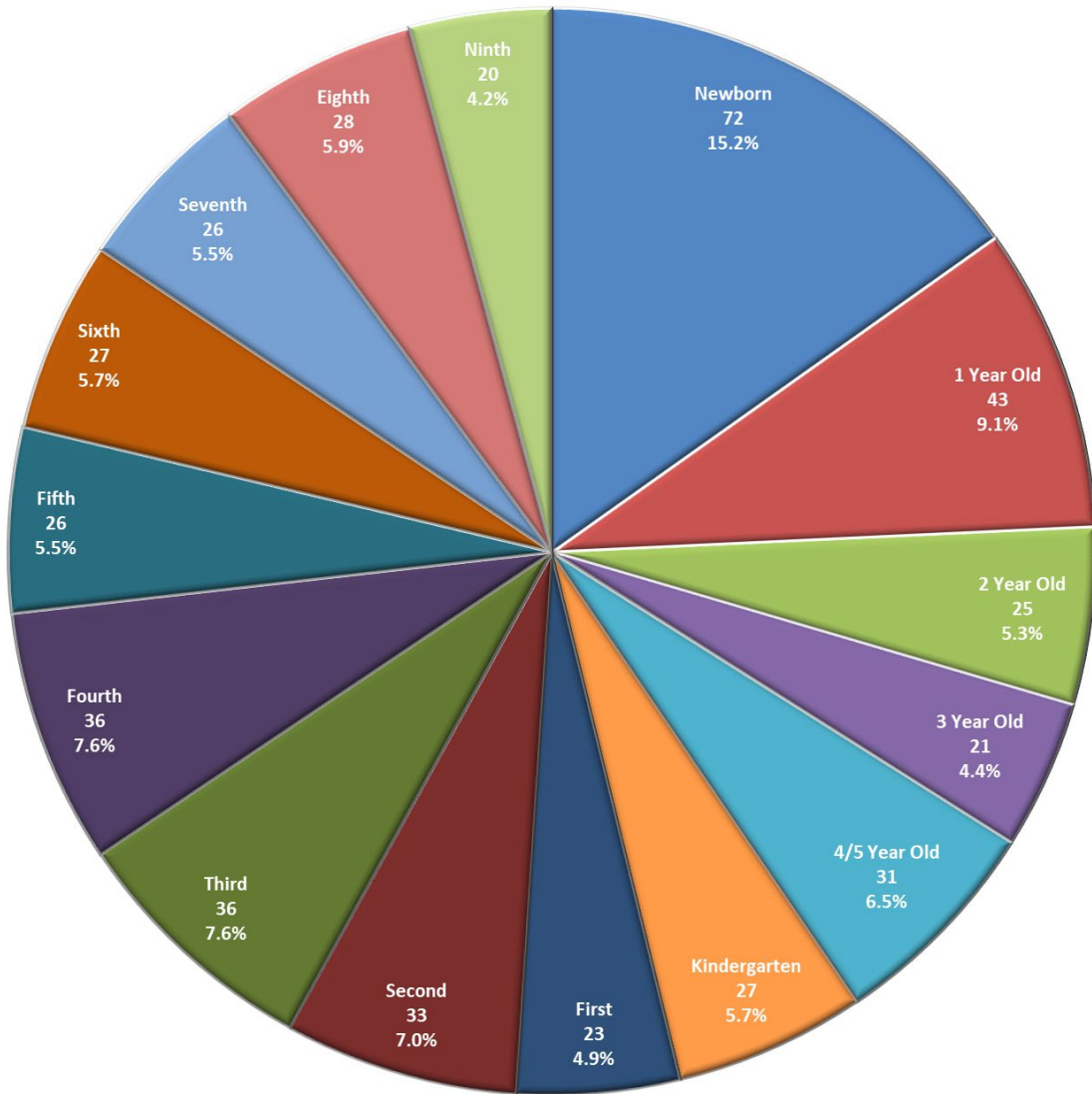


## Three Year Comparison

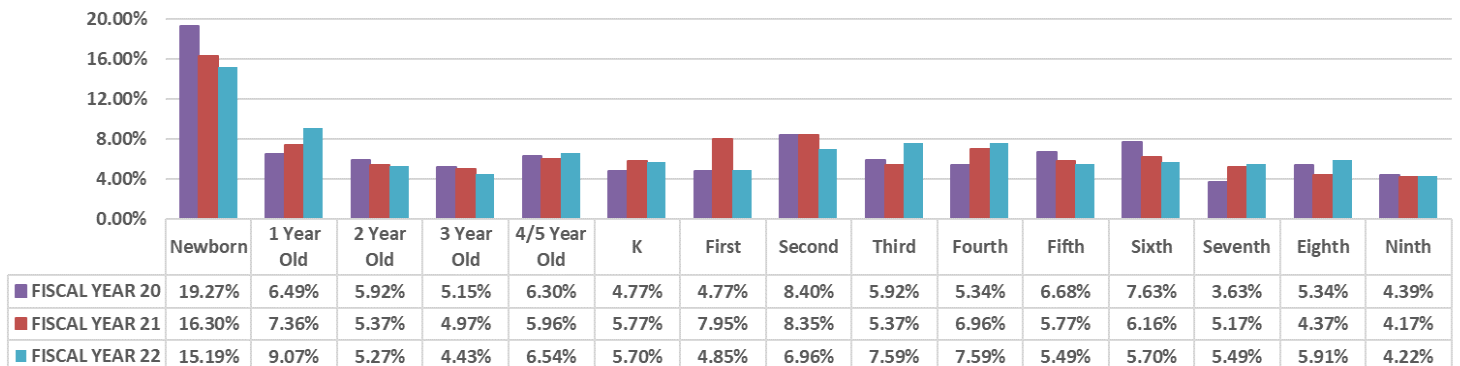


# BENEFICIARIES AGE/GRADE

Fiscal Year 2022 Enrollments

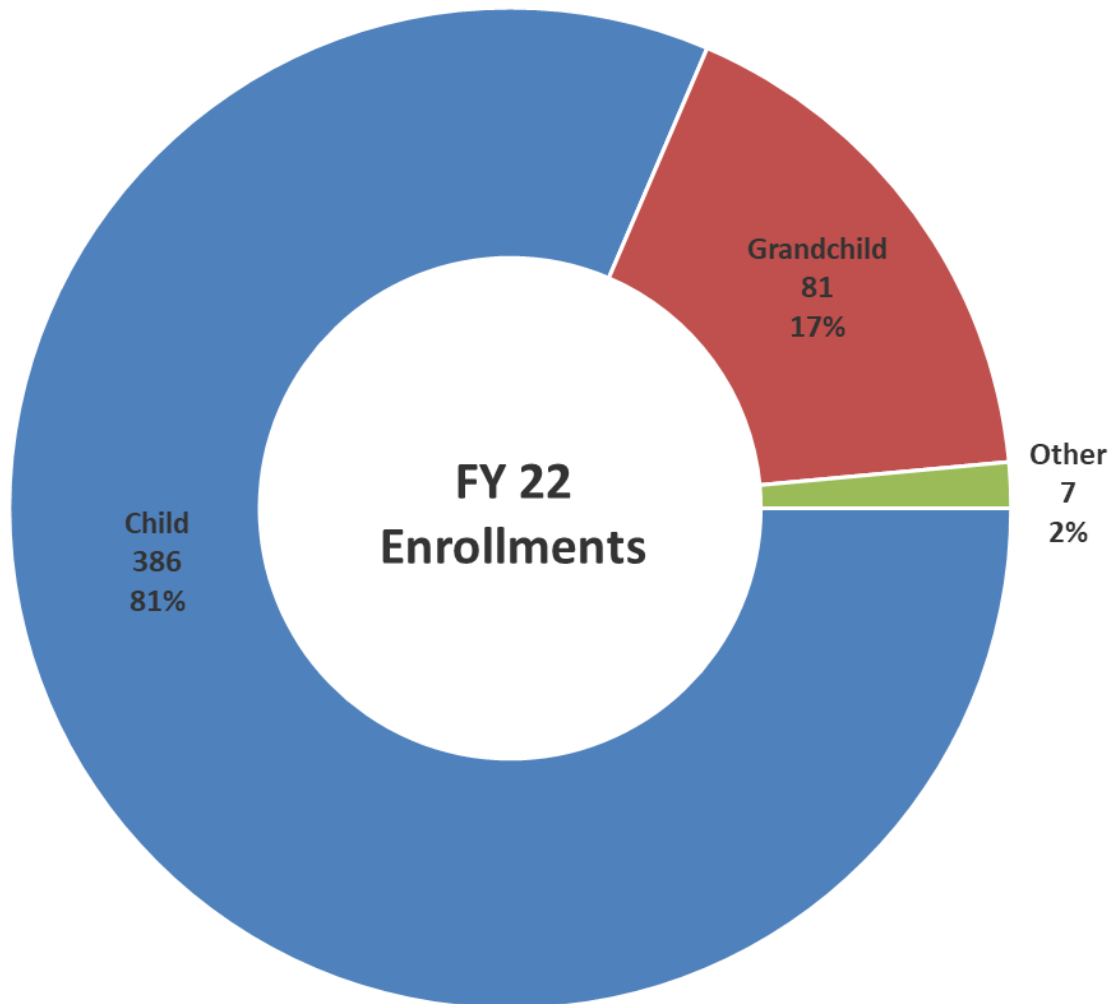


Three Year Comparison

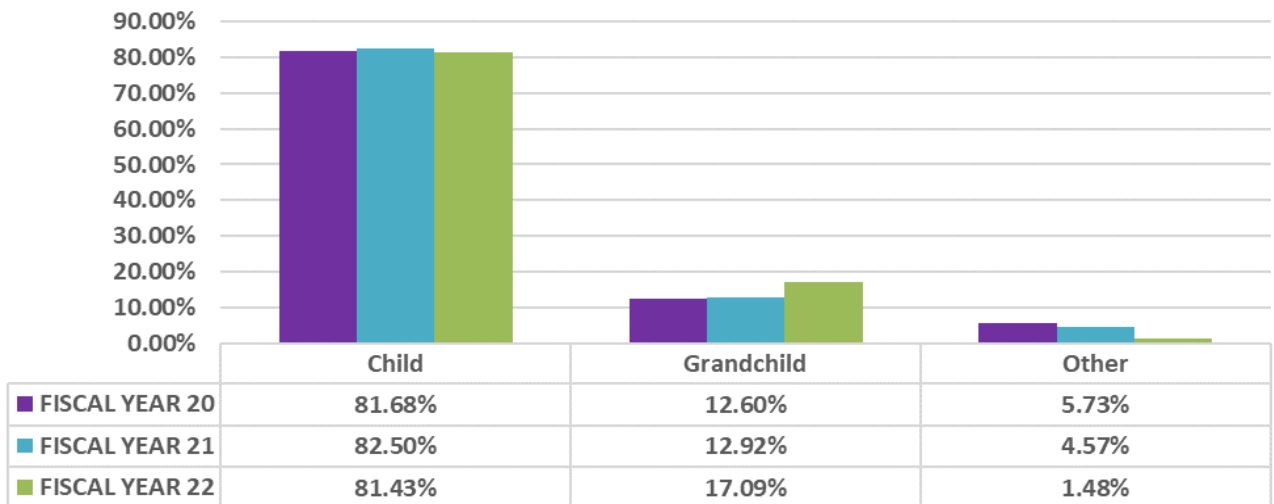




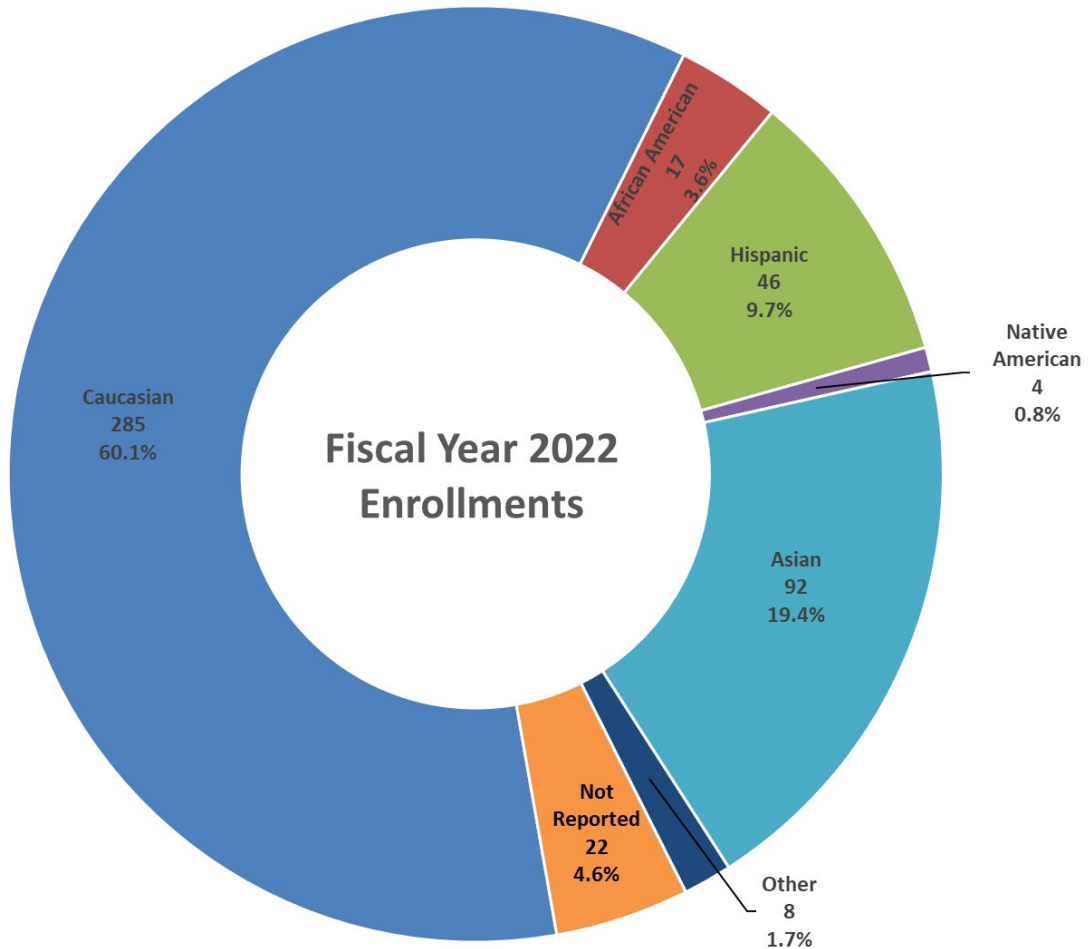
# BENEFICIARY'S RELATIONSHIP TO PURCHASER



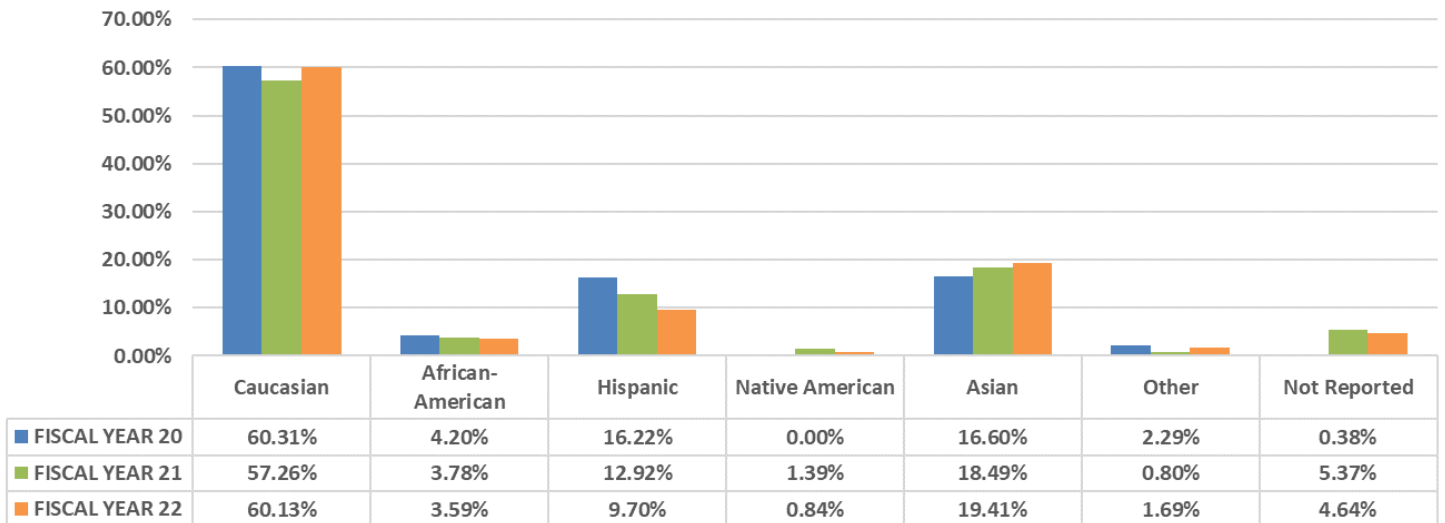
## Three Year Comparison



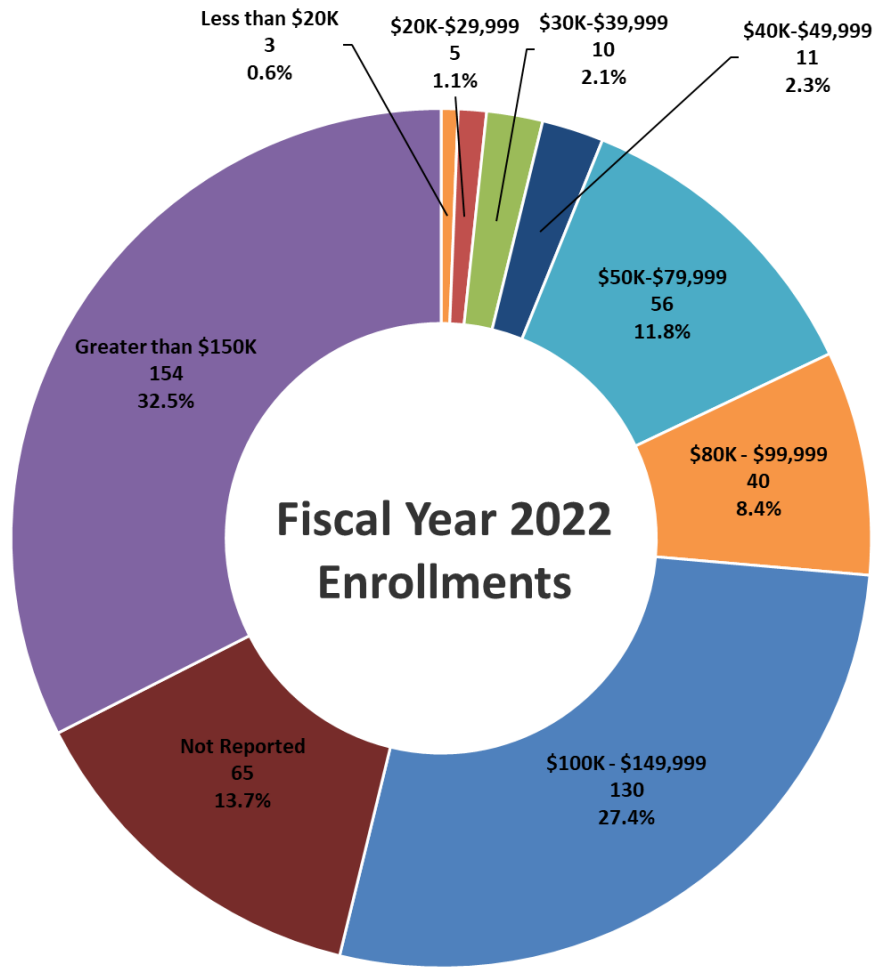
# RACE OF BENEFICIARY



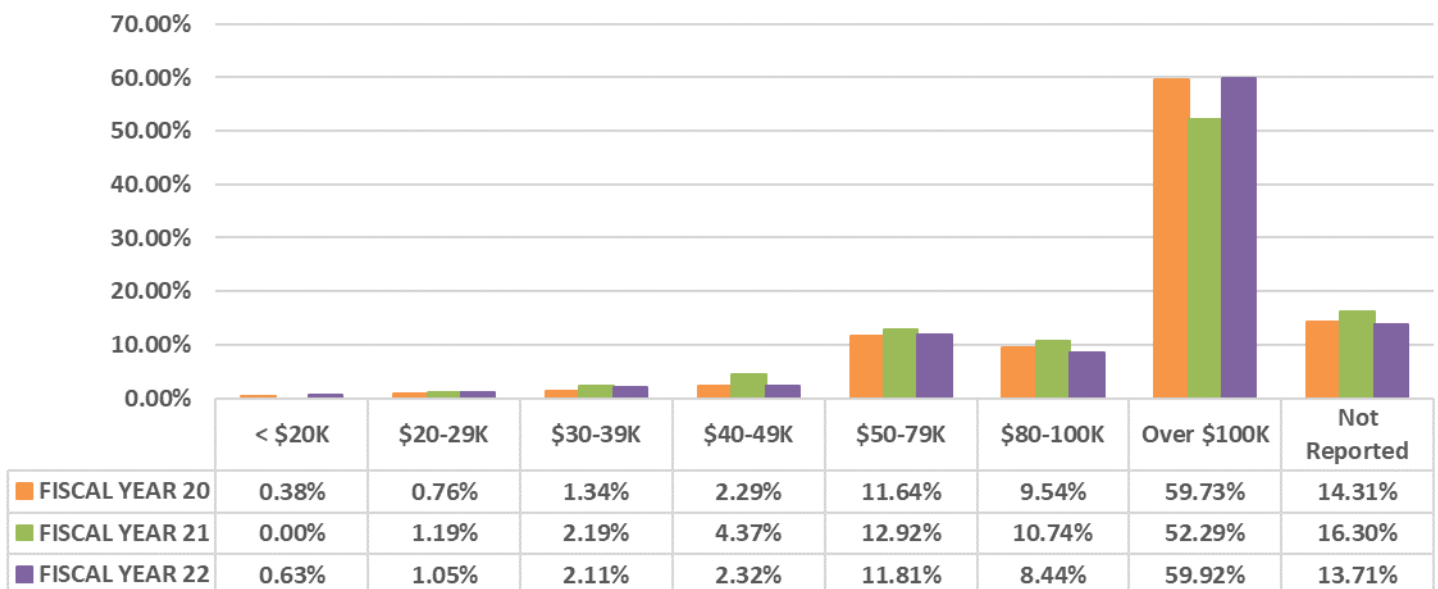
## Three Year Comparison



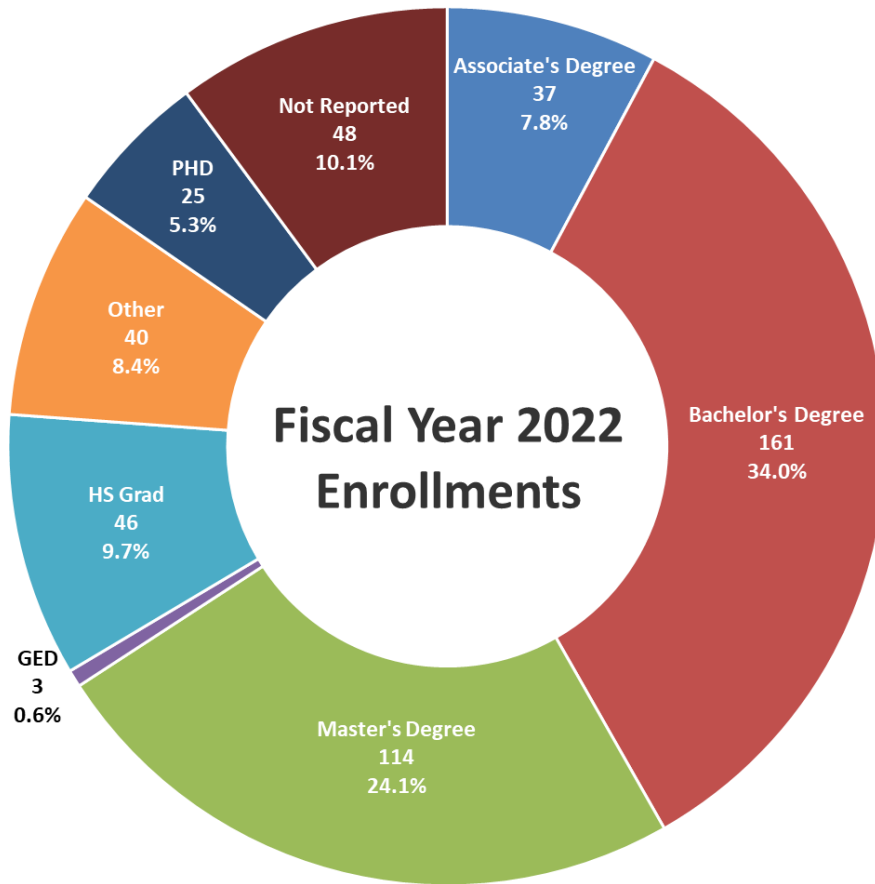
# PURCHASER'S INCOME LEVEL



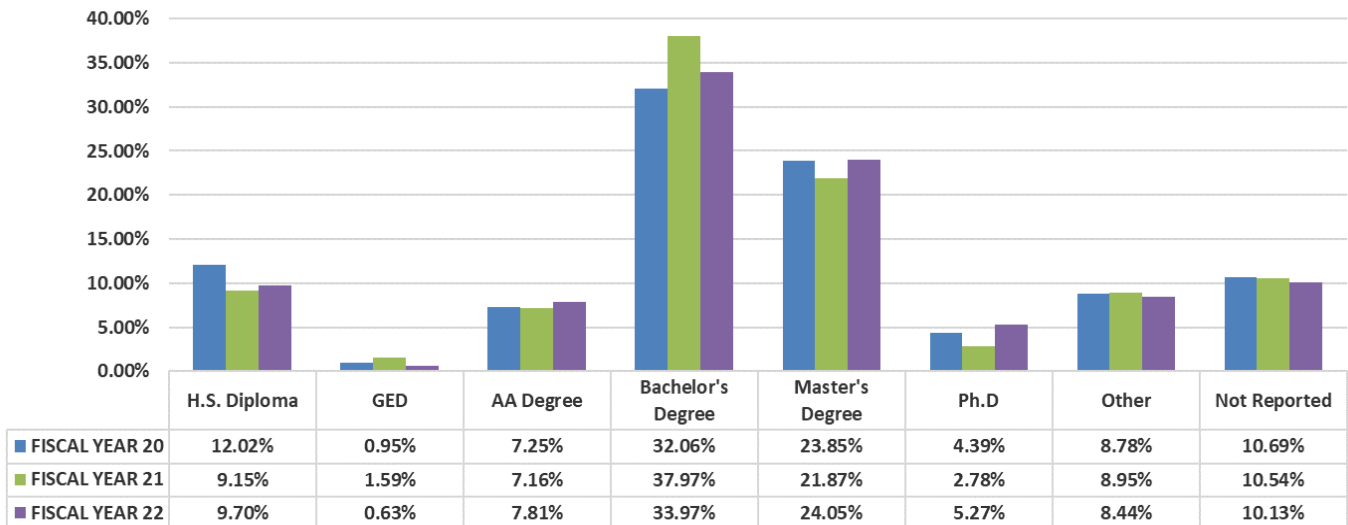
## Three Year Comparison



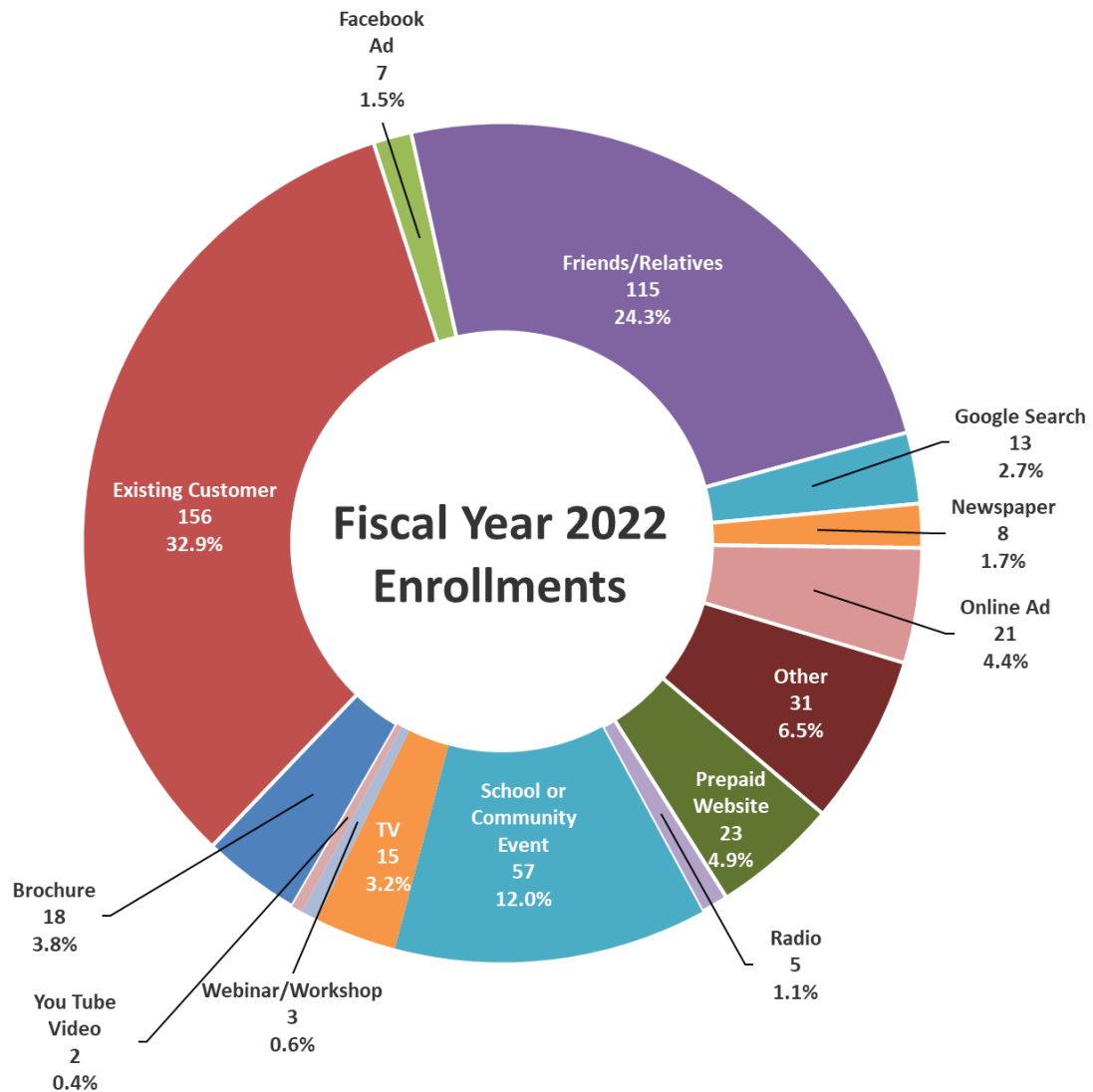
# PURCHASER'S EDUCATION LEVEL



## Three Year Comparison



# REFERRAL SOURCE



## Three Year Comparison

