# PROJECT BACKGROUND

## In accordance with Nevada Revised Statutes (“NRS”) Chapter 353B and Section 529 of the U.S. Internal Revenue Code of 1986, as amended (“529 plans”), the College Savings Plans of Nevada (“College Savings Plans”) provide families with qualifying college savings programs with the objective of saving for higher education on a tax-advantaged basis.

## NRS Chapter 353B establishes the College Savings Plans, which include both the Nevada Higher Education Prepaid Tuition Program (“Prepaid Program”) and the Nevada College Savings Program (“College Savings Program”), each under the authority of the Board of Trustees of the College Savings Plans of Nevada (“Board”), along with their associated trust funds, which are administered independently of each other.

## With both programs, the State Treasurer, and staff from the State Treasurer’s Office (“STO”) administer the daily operations of the programs. These responsibilities include management of the programs’ vendors and partnerships, marketing, administration of program budgets and revenues, review of the performance of plans, and bringing for discussion new initiatives.

## The Prepaid Program is administered by the Board. NRS 353B.150 and NRS 353B.160 designate the State Treasurer as the administrator of the Prepaid Trust Fund and specify the types of investments which may be purchased and the related constraints on how the Prepaid Trust Fund is to be administered.

## The Prepaid Trust Fund, created for the Prepaid Program, was approved by the Nevada Legislature during the 1997 biennial session (NRS 353B, College Saving Plans of Nevada). This authority also created the Board chaired by the State Treasurer. NRS 353B can be found on the web at http://leg.state.nv.us/NRS/NRS-353B.html. Nevada Administrative Code (“NAC”) 353B contains the regulations of the Prepaid and College Savings Programs and can be found on the web at http://leg.state.nv.us/NAC/NAC-353B.html. Information on the Program may also be obtained from the web at https://nvigate.gov/programs/nevadas-529-plans/.

# DESCRIPTION OF PLANS

## College Savings Program.

### The Board administers five distinct 529 plans operating under the College Savings Program: the JP Morgan Future Path 529 Plan, the Vanguard 529 College Savings Plan, the USAA Education Savings Plan, Wealthfront 529 Plan, and the Putnam 529 for America Plan. Ascensus Broker Dealer Services, Inc. (“Ascensus”) serves as the program manager for four plans whereas the Putnam 529 for America Plan, an advisor-sold plan, is administered by Putnam Investments. A summary table listing relevant information for each plan is provided below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program** | **12/31/2023 Assets under Management (Millions)** | **Type of Plan** | **Investment Manager** | **Investment Options** |
| JP Morgan Future Path | $1,327.88 | Advisor sold  Direct sold (Nevada Residents) | JP Morgan | 7 target enrollment portfolios, 3 static options, and 17 stand-alone options |
| Vanguard 529 College Savings Plan | $32,647.35 | Direct sold | Vanguard | 12 target enrollment portfolios, 5 static options, and 15 stand-alone options |
| USAA Education Savings Plan | $5,451.95 | Direct sold | Victory Capital | 9 age-based options, 9 static options, and 1 stand-alone option |
| Wealthfront 529 Plan | $614.93 | Direct sold | Wealthfront | 20 age-based options |
| Putnam 529 for America | $442.38 | Advisor sold | Putnam Investment Mgmt. Co. | 22 age-based options, 3 static options, 12 stand-alone options |

### NRS 353B.370 grants the Board latitude in determining how College Savings Trust Fund assets are to be invested, which may include the selection of an investment manager(s) and/or investment option, and the selection of a program manager(s). The Board has a direct program agreement through 2031 with Ascensus to act as the State’s program manager for its four plans and an agreement with Putnam Investments expiring September 2025 for management of the Putnam 529 for America plan.

### Although Nevada statutes provide great latitude to the Board, the existence of five nationally sold, private label plans in Nevada necessitates that the State take a more collaborative approach with its investment managers, Putnam, Vanguard, Wealth front, Victory and JP Morgan, since these firms also bear significant reputational risk for their national plans.

### Both the State and investment manager may request consideration of changes to investments or the construction of investment options.

### The investment managers are currently required to prepare annual investment plans in which they may propose changes to the lineup of investment options or other changes.

### In addition, the State’s current investment consultant prepares a quarterly review of underlying funds’ performance and makes recommendations for funds that have been placed on “Watch” status.

### The STO may also request special analyses of an investment manager; for instance, the State asked one of its investment managers to complete an analysis and consider adopting a smoother glidepath for its age-based options.

### While the Board maintains the absolute right to unilaterally replace or delete underperforming investment options from a plan and has exercised that right several times in the past, the selection of a replacement fund or other investment-related changes (e.g., the aforementioned consideration of a smoothed glidepath) tends to utilize a more collaborative process in which an investment manager and STO work together to bring a recommendation to the Board.

### The Board also reserves the right to reject program managers’ proposals for changes to the investment lineup and has also exercised that right.

### The underlying funds for the investment options contained in the above five plans consist of mutual funds, ETF’s, separate accounts and combinations of mutual funds/ETFs/separate accounts.

## Prepaid Program.

### In addition to the College Savings Program, the Prepaid Program enables Nevada residents to lock in future college tuition rates at today’s prices. To date, more than 23,600 Nevada residents have invested in the Prepaid Program, which had a market value of approximately $392 million as of the end of Fiscal Year 2023.

### The Treasurer’s Office is responsible for managing the asset allocation of the Prepaid Trust Fund and ensures the assets are managed in accordance with the investment parameters set forth in NRS 353B.160 and adhere to the following asset allocation, which is set in the program’s investment policy as:

#### 30% Fixed Income

#### 20% Covered Calls

#### 50% Domestic Equities

#### 39% Large Cap

#### 7% Mid Cap

#### 4% Small Cap

### Garcia Hamilton invests the fixed income portion of the fund in a separate account, covered calls are invested in a passively managed institutional mutual fund managed by Glenmede, equities are invested in three passively managed institutional mutual funds through Vanguard (See Attachment E and F for investment details.).

### As of June 30, 2023, the Program’s funded status calculated by the Program’s actuary using the market value of assets is 227.5% and the actuarially assumed rate of return for the portfolio based on this asset allocation is 5.25%.

## Investment Policies.

### The Board has adopted investment policies for the Prepaid Program and the College Savings Program.

### The investment policies detail the roles and responsibilities of the Board, the State Treasurer, the investment consultant, the program manager, and the investment manager(s).

### The investment consultant will be required to adhere to the policies and procedures and requirements set forth in these documents.

### The investment objectives, permitted investments, asset allocation policies and performance monitoring and reporting requirements, including required quarterly and annual investment reports to the Board are outlined in both investment policies.

### The Prepaid Program investment policy contains detailed information on ‘Watch’ list criteria and manager selection and evaluation.

### The College Savings Program has a more detailed document, Monitoring Procedures and Criteria, which details the “Watch’ list criteria for each of the five College Savings Programs.

### These documents are available in Attachment 4.1.5, Nevada College Savings Program – Monitoring Procedures and Criteria.

# SCOPE OF WORK

## The State Treasurer, with the advice and consent of the Board, seeks investment consulting services from the awarded vendor(s) to monitor investments within the College Savings Trust Fund and the Prepaid Trust Fund and their associated programs.

## It is expected that the awarded vendor would provide quarterly reports to the Board to include recommendations and findings on underlying investments and age-based and risk-based portfolios, as well as annual investment reviews, as noted in more detail in the sections below.

## In order to award this contract, the awarded vendor(s) must demonstrate that they will:

### Directly provide a higher level of expertise than is currently available from members of the Board and the State Treasurer.

### Directly provide and have access to independent and objective opinions.

### Directly provide information and tools currently unavailable to the Board and State Treasurer; and

### Recognize and acknowledge the burden of co-fiduciary responsibility owed to the participants of the College Savings Program and the Prepaid Program.

## The State Treasurer will:

### Provide the awarded vendor with all program information and financial records.

### Maintain all College Savings Program and Prepaid Program records.

### Review all reports and clarify issues prior to presenting them to the Board.

### Provide results and analysis of the annual actuarial valuation study (compiled by a third-party actuary), annual independent audit reports, quarterly investment performance and program management reports.

### Facilitate Board meetings for presentations, development, and adoption of performance monitoring policies.

## Administration and Reporting

### The Prepaid Program records are located in both Offices of the State Treasurer in Las Vegas and Carson City. The Prepaid Program administration and investment oversight, including asset allocation and rebalancing in accordance with policy, is handled in-house in both location offices. Additionally, the current program manager for the College Savings Program has contracted with independent investment managers to perform investment services as detailed in NRS 353B.370.

## College Savings Program

### The College Savings Program itemizes services that the STO and Board intend to contract for.

### Depending on the selected vendor’s cost proposal, the State reserves the right to reduce the scope of work based on costs indicated on Attachment 4.3.1, Cost Schedule.

### The awarded vendor must provide the following services:

#### Fund Monitoring

##### Review the current criteria for placement of passively and actively managed funds on “Watch List” status based on both quantitative and qualitative criteria, and provide any recommended amendments, as needed.

##### Develop customized benchmarks for each age-based and risk-based portfolio within the five College Savings Program plans.

##### Develop criteria for placement of age-based and risk-based portfolios on “Watch List” status based on both quantitative and qualitative criteria; or provide an alternative approach for review of portfolios’ performance, governance, and management.

##### Based upon the above criteria, evaluate the performance results for each underlying fund and portfolio within each of the five College Savings Program plans on a quarterly basis against its benchmark and peer group and provide recommendations to the Board and State Treasurer for placement or release of the fund or portfolio from “Watch List” status or otherwise provide advice on the continuing appropriateness of each underlying fund.

##### Upon request of the State Treasurer, collect, compile and/or conduct technical analyses, including risk metrics and attribution analysis for each underlying fund and portfolio within each of the five College Savings Program plans on a quarterly basis and provide advice on the continuing appropriateness of each underlying fund and portfolio.

##### Based upon the above criteria, perform ongoing monitoring of each underlying fund and portfolio within each of the five College Savings Program plans for qualitative issues that may impact a decision regarding the continuing appropriateness of each investment alternative. Examples of these types of issues include changes of the fund manager or team, significant redemptions of assets by investors, and regulatory and legal issues.

##### Prepare a quarterly report to the Board and State Treasurer that compiles the above information for each underlying fund and portfolio within the College Savings Program and provides “Watch List” recommendations. For each fund or portfolio recommended to be placed, maintained or released from “Watch List” status, provide a fund commentary.

#### Annual Reviews

##### Review the current Annual Review Guidelines for the five College Savings Programs and provide amendments, as needed.

##### Review each of the five College Savings Program annual investment reviews submitted by the investment manager (five per calendar year) for approval by the Board. The review should include, but not be limited to, reviews of all existing investment options, to determine if the options are satisfactory, given the considerations for diversification, risk and return. Review the asset allocations for age-based and multi-fund investment options, including any recommendations for structural changes (e.g., asset allocation changes) and modifications to the underlying funds comprising these options, and ensure choices remain appropriate for the Board’s investment policies, with no systematic bias in favor of active vs. passive management.

##### Provide up-to-date information to the Board and State Treasurer concerning current investment trends and issues as well as peer comparisons with similar college savings investment plans.

##### Assist in developing and drafting recommended College Savings Program modifications, and provide ongoing recommended changes to the investment policies, as needed.

##### Provide advice regarding “best practices” in preparation of other procedures and policies.

##### Provide advice concerning risk management strategies; investment goals, objectives and strategies, glide-path construction, rebalancing policies and compliance monitoring, all as they relate to College Savings Program and individual investment plan activities.

#### Due Diligence

##### Conduct an annual due diligence meeting with each of the investment managers.

##### Provide written opinions and findings regarding the management of the current investment options, which may include recommendation of replacement funds where appropriate.

#### Special Projects

##### Upon request, vet prospective investment manager(s) and program manager(s) for College Savings Plans suitability.

##### Assist in preparing and evaluating RFPs, RFQs, and RFIs, as needed.

##### Provide training and/or education and materials to Board and State Treasurer staff members, as needed/requested by the State Treasurer.

##### Conduct other special projects or analyses as requested.

## Prepaid Program

### The Prepaid Program itemizes services that the STO and Board intend to contract for. Depending on the selected vendor’s cost proposal, the State reserves the right to reduce the scope of work based on costs indicated on Attachment 4.3.1., Cost Schedule.

### The awarded vendor must provide the following services:

#### Review criteria for placement of passively and actively managed funds or other investments on “Watch List” status based on both quantitative and qualitative criteria, and provide any recommended amendments, as needed.

#### Based upon the above criteria, evaluate the performance results for each investment option against its benchmark and peer group on a quarterly basis and make recommendations to the Board and State Treasurer for placement or release of the fund from “Watch List” status or otherwise provide advice on the continuing appropriateness of each option.

#### Upon request of STO, collect, compile and/or conduct technical analyses of each fund including risk metrics and attribution analysis on a quarterly basis, and provide advice on the continuing appropriateness of each underlying fund.

#### Based upon the above criteria, perform ongoing monitoring of each investment option for qualitative issues that may impact a decision regarding the continuing appropriateness of each investment alternative. Examples of these types of issues would include changes of the fund manager or team, significant redemptions of assets by investors, and regulatory and legal issues.

#### Prepare a quarterly report to the Board and State Treasurer that compiles the above information for each investment option and provide “Watch List” recommendations. For each fund recommended to be placed, maintained, or released from “Watch List” status, provide a fund commentary.

### Annual Reviews

#### Provide your firm’s capital market assumptions and the reasonableness of projected returns for the portfolio.

#### Provide a review of asset allocations for investment options and provide an analysis of possible adjustments to the asset allocation and/or mix of individual mutual funds and/or other investments.

#### Review all existing investment options in the Prepaid Program, to determine if the investment options are optimum choices, given the considerations for diversification, risk and return and the liability profile, and are appropriate for the Board’s investment policies, with no systematic bias in favor of active versus passive management.

#### Provide advice concerning risk management strategies; investment goals, objectives, and strategies; rebalancing policies and compliance monitoring.

### Due Diligence

#### Conduct at least annual due diligence meetings with the investment manager(s) per year.

#### Provide written opinions and findings regarding the management of the current investment options, which may include recommendation of replacement funds where appropriate.

### Special Projects– itemizes services that the STO and Board intend to contract for. Depending on the selected vendor’s cost proposal, the State reserves the right to reduce the scope of work based on costs indicated on Attachment 4.3.1., Cost Schedule.

#### Upon request, vet prospective investment manager(s).

#### Provide assistance in preparing and evaluating RFPs, RFQs, and RFIs, as needed.

#### Provide training and/or education and materials to Board and State Treasurer staff members, as needed/requested by the State Treasurer.

#### Conduct other special projects or analyses as requested.

### Vendor Responsibilities

#### Provide a statement of availability for assistance and questions during the term of the contract resulting from this RFP.

#### Deliver all reports and documents pursuant to the contract resulting from this RFP in an electronic format, and upon request, a hard copy version to the State Treasurer. The electronic versions of the document must be as follows:

##### Spreadsheets must be Microsoft Excel Files

##### Expository reports must be Microsoft Word and/or Adobe PDF – format files.

#### Perform all investment analysis using commonly accepted methods and principles of an investment professional and prepare and maintain all charts, assumptions and backup data necessary to verify the conclusions articulate in a report or document and make such information available to the State Treasurer.

#### Review and critique, as reasonably requested, any proposed changes to Board investment-related policies and procedures.

#### Participate in Board meeting or other meeting, either in person or virtually.

##### Indicate your willingness to comply with this requirement to meet in Nevada (Las Vegas or Carson City), if necessary.

#### Be available by phone, videoconference, email or in person as reasonably required by the State Treasurer and Board for informal discussions on topics relating to the College Savings Program and Prepaid Program.

#### Enter a two party (State and one vendor) contract only. The State no longer participates in tri-party agreements. Therefore, any joint proposal must list the contracting firm as the Respondent and the other firm as the subcontractor.

## Corporate Governance

### The State Treasurer encourages all vendors that are retained or utilized by the Office to adopt corporate governance policies that provide confidence in the structure and management of the vendor. Please provide a copy of your adopted corporate governance policies/procedures.

## Certification

### By inclusion and execution of the statement provided in Attachment 4.3.4, Attachment for Signatures, each proposal shall certify that:

#### The selection of the firm will not result in any current or potential, real or perceived conflict of interest. Alternatively, should any potential or existing conflict be known by the firm, the proposal shall specify the party with whom the conflict exists or might arise, the nature of the conflict and whether the firm would step aside or resign from that engagement or representation creating the conflict.

#### The proposal is made without prior understanding, agreement, or connection with any corporation, firm, or person submitting a proposal for the same services, and is in all respects fair and without collusion or fraud.

#### The firm (and the agents, officers, principals, and professional employees thereof) has not and will not participate in any prohibited business solicitation communication. Including but not limited to, written or verbal communication which occurs during a selection period between a State Treasury Office employee and any person or entity submitting a proposal for investment consulting services or between a state employee and a person who is not a State employee regarding the merits of any securities custody services.