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**DECEMBER 13, 2012**

**AGENDA ITEM 5  
ACTION ITEM**

**SCHOLARSHARE INVESTMENT BOARD**

*Review and Analysis of TIAA-CREF Tuition Financing, Inc.'s Investment Performance for the ScholarShare Plan for Third Quarter 2012 and Resolution to Place Select Funds on Watch Status*

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***Recommendation***

Pension Consulting Alliance, Inc. (PCA) and ScholarShare Investment Board (SIB or Board) staff recommend that the Board adopt Resolution No. 2012-08 approving the placement of the TIAA-CREF International Equity Index Fund and the TIAA-CREF Emerging Markets Equity Index Fund on watch status.

***Background***

The Board and its investment consultant, PCA, monitor all TIAA-CREF Tuition Financing, Inc. (TFI) portfolios used in the ScholarShare College Savings Plan (Plan) accounts in accordance with the ScholarShare Monitoring Procedures and Criteria (Procedures) adopted by the Board.

In this item, SIB will review and discuss PCA's "Investment Performance Status Report" (Exhibit A) for the third quarter of 2012. PCA's report compares each underlying fund allocated to the portfolios used in the Plan, to applicable benchmark criteria and labels the current status of funds as "positive," "acceptable," "caution," or "watch."

In the third quarter of 2012, the following underlying funds were either in the "acceptable" or "caution" range.

- The funds in the "acceptable" range are as follows:
  - T. Rowe Price Institutional Large Cap Growth Fund, T. Rowe Price Institutional Large Cap Value Fund, TIAA-CREF Small Cap Equity Fund, TIAA-CREF Social Choice Equity Fund, TIAA-CREF Inflation-Linked Bond Fund, and T. Rowe Price Institutional Floating Rate Fund
- The funds in the "caution" range are as follows:
  - TIAA-CREF International Equity Index Fund and TIAA-CREF Emerging Markets Equity Index Fund

Following a review and analysis of the performance of the underlying funds allocated to the portfolios in the Plan and pursuant to the Procedures, SIB staff and PCA are recommending that the TIAA-CREF International Equity Index Fund and the TIAA-CREF Emerging Markets Equity Index Fund (Funds) be placed on watch status due to underperformance.

PCA has provided a memo analyzing the performance of the Funds (Exhibit B). TFI has also provided an “Investment Performance Report” for the Plan for third quarter 2012 (Exhibit C).

***Presenters***

Jeremy Thiessen, Managing Director, Pension Consulting Alliance, Inc.

Ed Mihalho, Portfolio Manager, TIAA-CREF Tuition Financing, Inc.

**RESOLUTION NO. 2012-08**

**RESOLUTION OF THE SCHOLARSHARE INVESTMENT BOARD  
APPROVING THE PLACEMENT OF SELECT FUNDS  
ON WATCH STATUS**

**WHEREAS**, the ScholarShare Investment Board (the “Board”) was created under the provisions of Article 19 of the California Education Code commencing with Section 69980 and as amended by Chapter 318, Stats. 2005 (AB 961) (the “Golden State ScholarShare Trust Act” or “Act”); and

**WHEREAS**, the Board has a fiduciary responsibility on behalf of the ScholarShare participants and beneficiaries to monitor the investment manager’s mutual funds and investment performance; and

**WHEREAS**, the Board adopted the ScholarShare Monitoring Procedures and Criteria (the “Procedures”) to provide guidelines for monitoring the investment manager’s mutual funds and investment performance as part of its fiduciary responsibility on behalf of the ScholarShare participants and beneficiaries; and

**WHEREAS**, the Board’s investment consultant has reviewed and analyzed the investment performance of the portfolios and funds in the ScholarShare College Savings Plan through the end of third quarter 2012; and

**WHEREAS**, the performance of the TIAA-CREF International Equity Index Fund and the TIAA-CREF Emerging Markets Equity Index Fund have not met the investment performance criteria (the “Benchmarks”) outlined in the Procedures; and

**WHEREAS**, per the Procedures, the Board may place underlying funds that do not meet the Benchmarks on watch status.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board approves the placement of the TIAA-CREF International Equity Index Fund and the TIAA-CREF Emerging Markets Equity Index Fund on watch status.

Attest: \_\_\_\_\_  
Chairperson

Date of Adoption: \_\_\_\_\_