

**MINUTES
SCHOLARSHARE INVESTMENT BOARD**

December 9, 2014

Chair Michael Paparian called the meeting to order at 1:03 PM.

Present:

Members: Michael Paparian for Bill Lockyer, California State Treasurer
Eraina Ortega for Michael Cohen, Director of Finance
Brooks Allen for Karen Stapf Walters, Executive Director, State Board of Education
Hal Geigogue, Governor Appointee, California Student Aid Commission
Christopher Jennings, Speaker Appointee
Rhonda Johnson, Senate Rules Committee Appointee
Paul Martin, Governor Appointee – Member at Large

Staff: Arlene Greene, Executive Director, ScholarShare Investment Board
(SIB or Board)
Stanley Zeto, Deputy Executive Director, SIB
Mario Sierras, Manager, SIB
Katie Burns, SIB
Maria Collins, SIB
Brian Gorban, SIB
Sue Lim, SIB
Diana Sanchez, SIB
Joyce Eriksson, SIB
Mark Paxson, General Counsel, State Treasurer’s Office

Consultants: Eric White, Principal, Pension Consulting Alliance, Inc. (PCA)
Andrea Feirstein, Managing Director, AKF Consulting Group (AKF)
(via conference call)

TFI: Michael Noone, President, TIAA-CREF Tuition Financing, Inc. (TFI)
Chris Lynch, Director, Tuition Financing, TFI
Pamela McNulty, National Director, TFI
Jeremy Thiessen, Senior Director, Education Savings, TFI
Vivian Tsai, Senior Director, Education Savings, TFI
Don Wolf, Senior Marketing Manager, TFI
Ralph Clement, Team Manager, TFI
Jennifer Benson, Field Representative, TFI
Gianne Dashiell, Field Representative, TFI
Mike Diephouse, Field Representative, TFI
Julianna Gobin, Field Representative, TFI
Yvette Meneses, Field Representative, TFI
Rafael Rivera, Field Representative, TFI

Chair Paparian declared a quorum present.

Board Agenda Item Number Four
Resolution to Approve Changes to the ScholarShare Statement of Investment Policy

Mr. Zeto presented SIB staff's recommendation to adopt Resolution No. 2014-06 to approve changes to the ScholarShare Statement of Investment Policy (Investment Policy). Mr. Zeto stated that the proposed changes included minor revisions.

Mr. White stated that following the recent fund change that took place in October 2014, PCA had reviewed the Investment Policy and recommends minor revisions to the Investment Policy that includes updates to the funds and benchmarks.

Chair Paparian asked for public comment. There was none.

Board Action

Motion to adopt Resolution No. 2014-06 approving changes to the Investment Policy.

MOTION: Member Ortega SECONDED: Member Allen
AYES: Members Ortega, Allen, Johnson, Geiogue, Jennings, Martin, Paparian
NOES: None
ABSTAIN: None
RECUSE: None

MOTION APPROVED

Board Agenda Item Number Five
Resolution to Approve Changes to the ScholarShare Monitoring Procedures and Criteria

Mr. Zeto presented SIB staff's recommendation to adopt Resolution No. 2014-07 to approve changes to the ScholarShare Monitoring Procedures and Criteria (Procedures). Mr. Zeto stated that the proposed changes include minor revisions as well as additional language related to the monitoring procedures.

Mr. White stated that as part of PCA's annual review, and following the recent fund change in October 2014, PCA had reviewed the Procedures and identified areas that should be expanded and updated to provide flexibility to the Board. PCA recommends changes to the Procedures, which includes revisions to the "Corrective Measures" section, as well as minor revisions to the Investment Performance Criteria schedules, to reflect the October 2014 fund change.

Member Geiogue requested additional minor edits to the Procedures.

Chair Paparian asked for public comment. There was none.

Board Action

Motion to adopt Resolution No. 2014-07 with edits, approving changes to Procedures.

MOTION: Member Ortega SECONDED: Member Allen
AYES: Members Ortega, Allen, Johnson, Geiogue, Jennings, Martin, Paparian
NOES: None
ABSTAIN: None
RECUSE: None

MOTION APPROVED

Board Agenda Item Number Six
Ratification Affirming Approval of Executive Director's Delegated Actions Regarding the PIMCO Total Return Fund

Ms. Greene discussed the Board's direction and authority that had been given to the Executive Director at the October 2, 2014 SIB meeting to take necessary action to remove any or all three PIMCO fund(s) and replace them with another actively managed bond fund(s) with comparable risk return characteristics. Ms. Greene stated pursuant to the Board's action taken at the October 2, 2014 SIB meeting, SIB staff seeks Board ratification of, and thereby affirming approval of, the Executive Director's action.

Chair Paparian asked for public comment. There was none.

Board Action

Motion to approve ratification affirming approval of Executive Director's delegated actions regarding the PIMCO Total Return Fund.

MOTION: Member Ortega SECONDED: Member Allen
AYES: Members Ortega, Allen, Johnson, Geiogue, Jennings, Martin, Paparian
NOES: None
ABSTAIN: None
RECUSE: None

MOTION APPROVED

Board Agenda Item Number Seven
Review of 2015 Asset Allocation Recommendation for the ScholarShare Plan

Mr. Jeremy Thiessen, TFI, provided highlights of TFI's review of the 2015 Asset Allocation for the Plan. Mr. Thiessen stated that following the completion of this year's asset allocation study and the recent fund change in October 2014, TFI is not recommending any additional changes in 2015 to the current allocation strategy for the portfolios in the Plan.

Mr. White provided an update on PCA's review of TFI's 2015 Asset Allocation Recommendation for the Plan and stated that PCA concurs with TFI's recommendation for no changes in 2015 to the existing asset allocation for the Plan, however, PCA requests TFI develop a short list of three alternative funds, in addition to the TIAA-CREF Bond Plus Fund (Fund), to be evaluated by the Board and PCA pursuant to the Procedures to ensure the Fund is the best option for the Plan.

Member Martin inquired about the criteria used when calculating a formula for estimating tuition increases. TFI stated it would follow-up and report back to the Board at the March meeting.

Board Agenda Item Number Eight
Review and Analysis of Investment Performance for the ScholarShare Plan for Third Quarter 2014

Mr. Thiessen presented TFI's Investment Performance Report for third quarter 2014 and provided a current market overview.

Mr. White presented PCA's Investment Performance Report for third quarter 2014 and noted that the funds are performing well.

Board Agenda Item Number Nine
Review of 2015 Marketing Plan for the ScholarShare Plan

Mr. Don Wolf, TFI, presented the 2015 Marketing Plan Recommendations for the Plan which outlined the marketing activities planned for 2015.

Board Agenda Item Number Ten
Review of Administrative Performance for the ScholarShare Plan for Third Quarter 2014

Ms. Vivian Tsai, TFI, presented TFI's Administrative Performance Report for the Plan for third quarter 2014 relative to pre-established performance criteria. Ms. Tsai reported that there were no areas of underperformance by more than the allowable two percent variance for the third quarter 2014.

Public Comment

Chair Papanian called for public comment.

Ms. Zeny Agullana, previous Executive Director for SIB, and Mr. Michael Noone, TFI, both expressed their appreciation to Ms. Greene, who will be retiring in January 2015.

The Chair asked for further comment. There was none.

There being no further business before the Board, the Chair adjourned the meeting at 3:45 PM.