

**MINUTES
SCHOLARSHARE INVESTMENT BOARD**

December 10, 2015

Chair Tim Schaefer called the meeting to order at 1:03 PM.

Present:

Members: Tim Schaefer for John Chiang, State Treasurer
Eraina Ortega for Michael Cohen, Finance Director, Department of Finance
Hal Geigoue, Governor Appointee, California Student Aid Commission
Christopher Jennings, Speaker Appointee
Rhonda Johnson, Senate Rules Committee Appointee
Paul Martin, Governor Appointee – Member at Large
Absent: Karen Stapf Walters, Executive Director, State Board of Education

Present:

Staff: Julio Martinez, Executive Director, ScholarShare Investment Board
(SIB or Board)
Stanley Zeto, Deputy Executive Director, SIB
Mario Sierras, Manager, SIB
Roxanne Anderson, SIB
Maria Collins, SIB
Brian Gorban, SIB
Sue Lim, SIB
Joyce Eriksson, SIB
Mark Paxson, General Counsel, STO

Consultants: Eric White, Principal, Pension Consulting Alliance, LLC (PCA)
Andrea Feirstein, Managing Director, AKF Consulting Group (AKF)
via teleconference

TFI: Michael Noone, President, TIAA-CREF Tuition Financing, Inc. (TFI)
Pamela McNulty, Senior Director, TFI
Jeremy Thiessen, Senior Director, TFI
Vivian Tsai, Senior Director, Education Savings, TFI
Don Wolf, Senior Director, Marketing and Sales, TFI

Chair Schaefer declared a quorum present.

Board Agenda Item Number One

Approval of Minutes from October 8, 2015 ScholarShare Investment Board Meeting

The minutes for the October 8, 2015 SIB meeting were presented to the Board.

Chair Schaefer asked for public comment. There was none.

Board Action

Motion to approve the minutes for the October 8, 2015 ScholarShare Investment Board meeting.

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

MOTION APPROVED

Board Agenda Item Number Two
Executive Director’s Report

Mr. Stanley Zeto, SIB, provided updates on the accounts and assets for the ScholarShare College Savings Plan (Plan).

Mr. Julio Martinez, SIB, provided updates on ScholarShare’s annual meeting with Morningstar in Chicago and reported that Morningstar upgraded ScholarShare from a Bronze rating to a Silver rating. Ms. Andrea Feirstein, AKF, stated that Morningstar’s favorable review of ScholarShare can be attributed to the Board’s strong governance and processes in place. Additionally, Mr. Martinez reported on ScholarShare’s investment performance ranking among other 529 plans at Member Geiogue’s request from the previous meeting. Mr. Martinez also provided an update on the changes to regulations and federal and state legislation.

Mr. Mario Sierras, SIB, presented an update on ScholarShare’s recent marketing and outreach efforts, contracts recently signed, the Governor’s Scholarship Programs, and the proposed SIB meeting calendar for 2016.

Chair Schaefer asked for public comment. There was none.

Board Agenda Item Number Three
Resolution to Approve Changes to the Maximum Account Balance Limit for the ScholarShare College Savings Plan

Mr. Martinez presented Resolution No. 2015-05 recommending the Board approve an increase to the maximum account balance limit for the Plan from \$371,000 to \$475,000 per beneficiary. Ms. Feirstein provided an overview of AKF’s analysis. A few Board members expressed mild concern about the size of the increase, but ultimately felt comfortable with the increase as it would provide additional flexibility to account owners and prospective account owners saving for college.

Chair Schaefer asked for public comment. There was none.

Board Action

Motion to approve Resolution No. 2015-05 approving changes to the maximum account balance limit for the ScholarShare College Savings Plan.

MOTION: Member Johnson SECONDED: Member Ortega
AYES: Members Schaefer, Jennings, Johnson, Martin, Ortega
NOES: None
ABSTAIN: Member Geiogoue
RECUSE: None

MOTION APPROVED

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

Mr. Zeto presented Resolution No. 2015-06 recommending the Board approve changes to the ScholarShare Statement of Investment Policy (Policy).

Mr. Eric White, PCA, stated that PCA reviewed the various components of the Policy and recommended minor revisions to reflect the fund change that took place in October 2015. Mr. Zeto stated that SIB staff concurred with PCA's proposed changes to the Policy.

Chair Schaefer asked for public comment. There was none.

Board Action

Motion to adopt Resolution No. 2015-06 to approve changes to the ScholarShare Statement of Investment Policy, which include the amendment per Member Geiogoue's request, to pages 7 and 10 from "as of November 7, 2011" to "as adopted on November 7, 2011".

MOTION: Member Geiogoue SECONDED: Member Ortega
AYES: Members Schaefer, Geiogoue, Jennings, Johnson, Martin, Ortega
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 Resolution No. 2015-07 recommending the Board approve changes to the ScholarShare Monitoring Procedures and Criteria (Procedures).

Mr. White reported that PCA reviewed the Procedures following the fund change that took place in October 2015. As a result, PCA and SIB staff recommend minor revisions to the Procedures to reflect those changes.

Chair Schaefer asked for public comment. There was none.

Board Action

Motion to adopt Resolution No. 2015-07 to approve changes to the ScholarShare Monitoring Procedures and Criteria.

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

MOTION APPROVED

Board Agenda Item Number Six

Review of 2016 Asset Allocation Recommendation for the ScholarShare College Savings Plan

Mr. Jeremy Thiessen, TFI, presented TFI's 2016 Asset Allocation Recommendation for the Plan, providing an overview of its full analysis and ultimately its recommendation for no changes to the existing asset allocation strategy for the portfolios in the Plan for 2016.

Mr. White presented PCA's analysis of TFI's recommendation and stated that PCA and SIB staff concurred with TFI recommendation for no changes in 2016.

Board Agenda Item Seven

Review and Analysis of Investment Performance for the ScholarShare College Savings Plan

Mr. Thiessen presented TFI's Investment Performance Report for the Plan for third quarter 2015 comparing each underlying fund allocated to the portfolios used in the Plan to the applicable benchmark criteria.

Mr. White presented PCA's Investment Performance Status Report for the Plan for third quarter 2015 and reported that all underlying funds were either in the positive or acceptable status. Mr. White also provided a brief market overview recommending that the two underlying funds currently on "watch" status, the PIMCO Income Fund and the PIMCO Real Return Fund, remain on "watch" status, and that no new funds qualify for "watch" status.

Chair Schaefer asked for public comment. There was none.

Board Agenda Item Number Eight
Review of 2016 Marketing Plan for the ScholarShare College Savings Plan

Mr. Don Wolf, TFI, presented TFI's Marketing Update for the Plan outlining marketing results through the third quarter of 2015, and highlighted various activities used to promote the Plan. Mr. Wolf also provided an update on the marketing activities planned for the upcoming year.

Board members inquired how certain demographics were marketed, what mechanisms were utilized to provide gifts for a college education, and how the application process for opening an account was monitored. Mr. Wolf provided several examples explaining the management of each item.

Chair Schaefer asked for public comment. There was none.

Board Agenda Item Number Nine
Review of Administrative Performance for the ScholarShare College Savings Plan for Third Quarter 2015

Ms. Vivian Tsai, TFI, presented TFI's Administrative Performance Report for the Plan for third quarter 2015 relative to pre-established performance criteria and reported that TFI underperformed (by more than two percent) in one performance area, Calls Received – Answer Time Within 35 Seconds. Ms. Tsai provided an explanation for the underperformance.

Public Comment

Chair Schaefer called for public comment. There were none.

There being no further business before the Board, the Chair adjourned the meeting at 3:17 PM.