

**MINUTES**  
**SCHOLARSHARE INVESTMENT BOARD**

**April 5, 2018**

Chair Vince Brown called the meeting to order at 1:00 PM.

***Present:***

Members: Vince Brown for John Chiang, State Treasurer  
Jacqueline Wong-Hernandez for Michael Cohen, Director, Department of Finance  
David Sapp for Karen Stapf Walters, Executive Director, State Board of  
Education  
Hal Geiogoue, Governor Appointee  
Paul Martin, Governor Appointee  
Absent: Christopher Jennings, Speaker Appointee

***Present:***

Staff: Julio Martinez, Executive Director, ScholarShare Investment Board  
(SIB or Board)  
Stanley Zeto, Deputy Executive Director, SIB  
Robert Smith, Manager, SIB  
Diana Sanchez, SIB  
Carolina Hernandez, SIB  
Ravinder Kapoor, Senior Attorney, State Treasurer's Office (STO)

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

TFI: Chris Lynch, President, TIAA-CREF Tuition Financing, Inc. (TFI)  
Vivian Tsai, Senior Director, Education Savings, TFI  
Jeremy Thiessen, Senior Director, TFI  
Linda English, Senior Director, TFI  
Doug Harrison, Senior Director, Marketing and Sales, TFI  
Glenn Friedman, Manager, TFI  
Yvette Haring, Team Manager, TFI

Chair Brown declared a quorum present.

**Board Agenda Item Number One**  
**Approval of Minutes from December 14, 2017 ScholarShare Investment Board Meeting**

The minutes for the December 14, 2017 ScholarShare Investment Board (SIB) meeting were presented to the Board.

Chair Brown asked for public comment. There was none.

**Board Action**

Motion to approve the minutes for the December 14, 2017 SIB meeting.

MOTION: Member Geiogoue      SECONDED: Member Sapp  
AYES: Members Brown, Wong-Hernandez, Sapp, Geiogoue, Martin  
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 ScholarShare 529 (Plan), recent marketing and outreach efforts, and service orders processed. Mr. Zeto also provided an update on the Governor’s Scholarship Programs.

Mr. Julio Martinez, SIB, provided an update on recent 529 performance rankings by SavingforCollege.com, and state and federal legislation. Chair Brown inquired about the gift card options for the Plan. Mr. Martinez responded the contract to offer gift cards in-store had concluded, but that gift cards would still be available for purchase online.

Chair Brown asked for public comment. There was none.

**Board Agenda Item Number Three**  
**Resolution to Approve Amendment to Agreement No. SIB 15-10 with TIAA-CREF Tuition Financing, Inc. for Program Management Services for the ScholarShare 529 College Savings Plan**

Mr. Martinez presented SIB staff’s recommendation for the Board to adopt Resolution No. 2018-01 approving an amendment to Agreement No. SIB 15-10 with TIAA-CREF Tuition Financing, Inc. (TFI) for program management services for the Plan.

Mr. Eric White, Pension Consulting Alliance, LLC (PCA), provided an overview of PCA’s analysis, which outlined the investment results and how the Plan performance as compared to other peer plans. PCA concluded that they had no concerns and that the Plan portfolios and

underlying funds have performed well in comparison with their benchmarks and peer groups, supporting SIB staff's recommendation for a one-year contract extension.

Ms. Andrea Feirstein, AKF Consulting Group (AKF), provided AKF's review comparing relative asset and account growth rates and investment structure and fees of the Plan to the national 529 market, the direct market, and peer plans, and concluded that a one-year contract extension was warranted..

Member Geiogue inquired about the advantages of other 529 plans. Ms. Feirstein responded that some of these other 529 plans offer state tax incentives and employer incentives.

Chair Brown asked for public comment. There was none.

Board Action

Motion to approve Resolution No. 2017-01 approving amendment to Agreement No. SIB 15-10 with TFI for program management services for the Plan.

MOTION:	Member Sapp	SECONDED:	Member Wong-Hernandez
AYES:	Members Brown, Wong-Hernandez, Sapp, Geiogue, Martin		
NOES:	None		
ABSTAIN:	None		
RECUSE:	None		

MOTION APPROVED

**Board Agenda Item Number Four  
Discussion on Emerging Market Debt**

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As a follow-up to a discussion at the December 12, 2017 SIB meeting regarding the introduction of a potential new asset class for the Plan, Mr. White provided an in-depth analysis on Emerging Market Debt, as requested by the Board and SIB staff.

Board members inquired over several points including the average yield, growth and risk factors associated with the new asset class, stability, as well as which portfolios would be impacted. Mr. White responded to many of these Board inquiries. Mr. Jeremy Thiessen, TFI, indicated that additional details would be provided by TFI at the next Board meeting. Member Sapp also requested that information regarding the prevalence of this asset class within the 529 industry be provided at the next meeting.

Chair Brown asked for public comment. There was none.

**Board Agenda Item Number Five**  
**Review and Analysis of Investment Performance for the ScholarShare 529 College Savings Plan for Fourth Quarter 2017 and Resolution to Approve Removal of TIAA-CREF Social Choice Equity Fund from Watch Status and Eliminate the Formal Evaluation of the Fund Under the Long-Term Criteria**

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Mr. Thiessen presented TFI's Investment Performance Report for the Plan for fourth quarter 2017 comparing each underlying fund allocated to the portfolios in the Plan to applicable benchmark criteria.

Mr. White presented PCA's Investment Performance Status Report for the Plan for fourth quarter 2017 and reported the underlying funds were either in the "positive" or "acceptable" status with one in the "watch" status. Mr. White also provided a brief market overview and a memo recommending that the TIAA-CREF Social Choice Equity Fund (Fund) be removed from "watch" status and that the formal evaluation of the Fund under the long-term criteria be eliminated. Mr. White outlined the reasoning for this recommendation to which the Board inquired about either identifying a more appropriate benchmark for the Fund or making changes to the existing Monitoring Procedures and Criteria. Following discussion, the Board agreed to not take action and that the Fund remain on "watch" status at this time. Mr. White responded that PCA and SIB staff would continue to review the available options and report back to the Board. .

Chair Brown asked for public comment. There was none.

**Board Agenda Item Number Six**  
**Review of 2017 Marketing Performance for the ScholarShare 529 College Savings Plan**

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Mr. Doug Harrison, TFI, presented TFI's Marketing Update for the Plan outlining marketing results through the fourth quarter of 2017, and highlighting various activities utilized to promote the Plan. Mr. Harrison also provided an update on the marketing activities planned for the upcoming year.

Chair Brown asked for public comment. There was none.

**Board Agenda Item Number Six**  
**Review of Administrative Performance for the ScholarShare 529 College Savings Plan for Fourth Quarter 2017**

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Ms. Linda English, TFI, presented TFI's Administrative Performance Report for the Plan for fourth quarter 2017 relative to pre-established performance criteria and reported that TFI did not underperform (by more than two percent) in any performance areas.

**Public Comment**

Chair Brown called for public comment. There were none.

There being no further business before the Board, the Chair adjourned the meeting at 4:04 PM.