

**MINUTES  
SCHOLARSHARE INVESTMENT BOARD**

**DECEMBER 19, 2019**

Chair Audrey Noda called the meeting to order at 1:00 PM.

***Present:***

**Members:** Audrey Noda for Fiona Ma, State Treasurer, Chair  
Jennifer Whitaker for Keely Martin Bosler, Director, Department of Finance  
Angela Acosta-Salazar, Senate Rules Committee Appointee  
Hal Geiogue, Governor Appointee, California Student Aid Commission  
Paul Martin, Governor Appointee – Member at Large

**Absent:** Karen Stapf Walters, Executive Director, State Board of Education  
David Lizarraga, Speaker Appointee

***Present:***

**Staff:** Julio Martinez, Executive Director, ScholarShare Investment Board  
(SIB or Board)  
Stanley Zeto, Deputy Executive Director, SIB  
Robert Smith, Manager, SIB  
Aaron Lester, SIB  
Lori Mattson, SIB  
Rachell Owen-Reinwald, SIB  
Diana Sanchez, SIB  
Ravinder Kapoor, Senior Attorney, State Treasurer's Office

**Consultants:** Eric White, Principal, Meketa Investment Group, Inc. (Meketa)  
Andrea Feirstein, Managing Director, AKF Consulting Group (AKF)  
(via teleconference)

**TFI:** Chris Lynch, President, TIAA-CREF Tuition Financing, Inc. (TFI)  
Vivian Tsai, Senior Director, Head of Relationship Management, TFI  
Pam McNulty, Senior Director, 529 Marketing & Sales, TFI  
Jeremy Thiessen, Senior Director, Investment Strategies of Education Savings, TFI  
Bernard McCrossan, Senior Director, TFI  
Linda English, Senior Director, TFI  
Doug Harrison, Senior Director, Marketing, TFI  
Jean Seidel, Director, Operations, TFI  
Glenn Friedman, Director, TFI  
Gloria Yvette Haring, Team Manager, TFI

Chair Noda declared a quorum present.

Agenda Item 3 was taken out of order by the Board due to presenter availability.

**Board Agenda Item Number Three**  
**Discussion on Fiduciary Insurance for the ScholarShare Investment Board**

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Ms. Kelsey Linnett, Deputy Attorney General for the Office of the Attorney General, provided further information to the ScholarShare Investment Board (SIB or Board) regarding liability, fiduciary insurance, and the California Tort Claims Act.

Chair Noda asked for public comment. There was none.

**Board Agenda Item Number One**  
**Approval of Minutes from September 19, 2019 ScholarShare Investment Board Meeting**

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The minutes for the September 19, 2019 SIB meeting were presented to the Board.

Chair Noda asked for public comment. There was none.

*Board Action*

Motion to approve the minutes for the September 19, 2019 SIB meeting.

MOTION:	Member Geiogue	SECONDED:	Member Acosta-Salazar
AYES:	Members Acosta-Salazar, Geiogue, Noda		
NOES:	None		
ABSTAIN:	Members Whitaker, Martin		
RECUSE:	None		

MOTION APPROVED

**Board Agenda Item Number Two**  
**Executive Director's Report**

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Mr. Julio Martinez, SIB, provided general program updates, including updates on the upcoming record-keeper and investment portfolio transitions, and an overview on current federal and state legislation. Mr. Stan Zeto, SIB, provided updates on accounts and assets for ScholarShare 529 (Plan), and upcoming request for proposals and recently processed marketing and outreach purchase orders. Mr. Robert Smith, SIB, provided updates on marketing and outreach and the Governor's Scholarship Programs.

SIB staff and TFI responded to questions from Board members regarding account and asset numbers for 2019, the upcoming transitions, and federal and state legislation.

Chair Noda asked for public comment. There was none.

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

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Mr. Martinez presented SIB staff's recommendation for the Board to adopt Resolution No. 2019-07 approving changes to the ScholarShare Statement of Investment Policy (Policy). Mr. Eric White, Meketa, presented Meketa's memo outlining its review of the Policy and the proposed changes to it.

Chair Noda asked for public comment. There was none.

**Board Action**

Motion to approve Resolution No. 2019-07 approving changes to the Policy.

MOTION:                   Member Geiogoue                   SECONDED: Member Acosta-Salazar  
AYES:                    Members Whitaker, Acosta-Salazar, Geiogoue, Martin, Noda  
NOES:                    None  
ABSTAIN:                None  
RECUSE:                 None

MOTION APPROVED

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

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Mr. Martinez presented SIB staff's recommendation for the Board to adopt Resolution No. 2019-08 approving changes to the ScholarShare Monitoring Procedures and Criteria (Procedures). Mr. White presented Meketa's memo outlining its review of the Procedures and the proposed changes to it.

Chair Noda asked for public comment. There was none.

**Board Action**

Motion to approve Resolution No. 2019-08 approving changes to the Procedures.

MOTION:                   Member Acosta-Salazar           SECONDED: Member Whitaker  
AYES:                    Members Whitaker, Acosta-Salazar, Geiogoue, Martin, Noda  
NOES:                    None  
ABSTAIN:                None  
RECUSE:                 None

MOTION APPROVED

**Board Agenda Item Number Six**  
**Resolution to Approve Changes to the ScholarShare Administrative Performance Criteria**

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Mr. Martinez presented SIB staff's recommendation for the Board to adopt Resolution No. 2019-09 approving changes to the ScholarShare Administrative Performance Criteria (Benchmarks). Mr. Bernard McCrossan and Ms. Jean Seidel, TFI, provided an update on the upcoming record-keeper transition and an overview of the proposed changes to Benchmark.

SIB staff and TFI responded to Member Geiogoue's inquiry about the Board's ability to recommend modifications to the Benchmarks in the future.

Chair Noda asked for public comment. There was none.

***Board Action***

Motion to approve Resolution No. 2019-09 approving changes to the Benchmarks.

MOTION:	Member Whitaker	SECONDED:	Member Acosta Salazar
AYES:	Members Whitaker, Acosta-Salazar, Geiogoue, Martin, Noda		
NOES:	None		
ABSTAIN:	None		
RECUSE:	None		

MOTION APPROVED

**Board Agenda Item Number Seven**  
**Review of 2020 Asset Allocation Recommendation for ScholarShare 529**

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Mr. Jeremy Thiessen and Mr. Glenn Friedman, TFI, presented TFI's 2020 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 2020.

Mr. White presented Meketa's analysis of TFI's recommendation and stated that Meketa and SIB staff concur with TFI recommendation for no changes in 2020.

As a follow-up to the discussion at the September 2019 Board meeting, Mr. White presented Meketa's analysis of the underlying fund fees in the Plan and how they compare with fund fees. Additionally, Ms. Andrea Feirstein, AKF, presented AKF's analysis on the components of 529 plan fees and how the Plan's fees compare with fees for other 529 plans.

SIB staff and TFI responded to Member Geiogoue's questions related to the program management fee reduction that would coincide with the Plan reaching \$10 billion in total assets and how much the reduction would equate to in actual dollars, as well as exploring the possibility of reducing the State administrative fee in the future.

Chair Noda asked for public comment. There was none.

**Board Agenda Item Number Eight**  
**Review and Analysis of Investment Performance for ScholarShare 529 for**  
**Third Quarter 2019**

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Mr. Friedman presented TFI's Investment Performance Report for the Plan for third quarter 2019 comparing each underlying fund allocated to the portfolios in the Plan to applicable benchmark.

Mr. White presented Meketa's Investment Performance Status Report for the Plan for third quarter 2019 and provided, for the Board's consideration, options related to the current "watch" status for the TIAA-CREF Social Choice Equity Fund. Board members discussed the various options proposed and Chair Noda requested that additional information, including a potential recommendation, be brought back to the Board for consideration at the next SIB meeting.

Chair Noda asked for public comment. There was none.

**Board Agenda Item Number Nine**  
**2020 Marketing Plan and 2019 Marketing Update for ScholarShare 529**

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Mr. Doug Harrison, TFI, presented TFI's Q3 2019 Marketing Results for the Plan, which outlined marketing results through the third quarter of 2019 and highlighted various activities utilized to promote the Plan, and TFI's 2020 Marketing Plan, which provided a review and reflection on the 2019 marketing plan and outlined the Plan's audience segments and specific objectives and strategies for the upcoming year.

Mr. Harrison responded to inquiries from Board members regarding the audience segments, allocation of the budget for the specific strategies, marketing benchmarks and goals, and consumer retention.

Chair Noda asked for public comment. There was none.

**Board Agenda Item Number Eight**  
**Review of Administrative Performance for ScholarShare 529 for Third Quarter 2019**

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Mr. McCrossan and Ms. Seidel presented TFI's Administrative Performance Report for the Plan for third quarter 2019 relative to pre-established performance criteria and reported that TFI underperformed (by more than two percent) in one performance area, Call Center Answer Time - Within 35 seconds. Mr. McCrossan and Ms. Seidel provided an explanation on the cause for underperformance in that area and an update on preliminary performance numbers for the fourth quarter through mid-December. Mr. McCrossan and Ms. Seidel also responded to questions from Board members regarding call center staffing levels in anticipation of the upcoming record-keeper transition.

Chair Noda called for public comment. There was none.

**Public Comment**

Chair Noda called for public comment. There was none.

There being no further business before the Board, the Chair adjourned the meeting at 3:22 PM.