

MEMORANDUM

TO: ScholarShare Investment Board (SIB)
FROM: Meketa Investment Group (“Meketa”)
DATE: December 18, 2025
RE: 2025 TIAA-CREF Annual Review

Summary & Recommendation

Meketa reviewed TIAA-CREF Tuition Financing, Inc.’s (“TFI”) annual review and recommendation for the ScholarShare 529 Plan (“Plan”) 2026 asset allocation, which is no changes to the investment strategy (asset allocation). **Meketa recommends that SIB accept TFI’s recommendation of no changes to the Plan’s asset allocation.**

Background

SIB Staff requested that Meketa review TFI’s annual review and recommendation for the 2026 asset allocation for the Plan, which highlights TFI’s analysis behind the recommendation of no changes to the glidepaths.

TFI’s recommendations are due to their 2026 Capital Market Assumptions (CMAs) exhibiting immaterial changes relative to their 2025 CMAs. TFI noted that while their analysis produced higher expected returns, with their long-time horizon investment philosophy in mind, these differences are not material enough to implement structural changes without increasing potential risks in the portfolios. TFI believes the glidepaths approved as part of the 2025 Annual Review remain sound. They maintain the glidepaths should meet TFI’s expectation for a reasonable rate of expected return while minimizing the potential “shortfalls” between expected returns versus tuition inflation over the investment horizons.

In addition to reviewing TFI’s annual review and recommendations, Meketa has analyzed the Glidepath returns using Meketa’s proprietary asset allocation tool, which relies on Meketa’s proprietary Capital Market Expectations. Our 2025 Capital Market Expectations can be found on page 3 and a summary of changes from 2024 to 2025 is listed below.

- US equity markets rallied, pushing them to higher valuations, thus reducing their forward-looking returns.
- Interest rates moved up, increasing yields and hence expected returns for higher quality bonds.
- Credit spreads tightened, leading to lower yields for riskier fixed income assets.

Asset Class	Expected Returns and Volatilities		Expected Long-Term Correlations								
	Expected Geometric Return		Cash Equivalents	Investment Grade Bonds	TIPS	Bank Loans	US Equity	US Equity Growth	US Equity Value	US Small Cap	Developed Market Equity (non-US)
	2025	Std Dev									
Cash Equivalents	3.10%	1.00%	1.00								
Investment Grade Bonds	5.30%	4.00%	0.12	1.00							
TIPS	5.00%	7.00%	0.04	0.77	1.00						
Bank Loans	6.80%	10.00%	-0.12	0.06	0.25	1.00					
US Equity	8.40%	17.00%	-0.06	0.18	0.25	0.60	1.00				
US Equity Growth	7.90%	17.00%	-0.05	0.27	0.34	0.58	0.87	1.00			
US Equity Value	8.90%	17.00%	-0.06	0.18	0.25	0.60	1.00	0.87	1.00		
US Small Cap	9.20%	21.00%	-0.08	0.16	0.22	0.59	0.92	0.86	0.92	1.00	
Developed Market Equity (non-US)	8.70%	18.00%	-0.01	0.28	0.34	0.59	0.87	0.82	0.87	0.78	1.00
Emerging Market Equity	8.70%	22.00%	0.00	0.26	0.35	0.57	0.71	0.71	0.71	0.67	0.85
REITs	7.80%	23.00%	-0.04	0.37	0.38	0.54	0.78	0.71	0.78	0.74	0.69
											0.59
											1.00

Glidepath Asset Allocation Review

Meketa has analyzed the expected outcomes for the current glidepaths for the enrollment-based options using Meketa's 2025 Capital Market Expectations vs. our 2024 CMEs. Asset allocation represents the conscious decision to accept and manage risk. Real world risks and objectives faced by investors can be complex and often conflicting; as a result they cannot be summarized in a single statistic. Rather, we must use a variety of tools to build a more complete picture. Our analysis takes into consideration the unique aspects of a 529 plan: short accumulation and depletion periods. We focus on the portfolio's effectiveness at generating returns relative to the risks incurred while accounting for distinctive risks of 529 plans such as drawdowns/losses in the latter years of the glidepath.

Our analysis (see table below) of the year-over-year change in expected outcomes shows small level of changes, therefore supportive of TFI's rationale for no recommended changes.

	Active		Passive		ESG	
	2024 CMEs	2025 CMEs	2024 CMEs	2025 CMEs	2024 CMEs	2025 CMEs
5 Percentile Return	11.56%	10.70%	11.58%	10.76%	11.31%	10.71%
25 Percentile Return	8.91%	8.43%	8.89%	8.42%	8.73%	8.42%
Expected Return	7.11%	6.88%	7.06%	6.83%	6.98%	6.86%
75 Percentile Return	5.34%	5.35%	5.26%	5.26%	5.25%	5.32%
95 Percentile Return	2.84%	3.19%	2.72%	3.05%	2.81%	3.15%
Expected Standard Deviation	11.06%	10.02%	11.24%	10.29%	10.79%	10.08%
Probability of Exceeding 5% Tuition Inflation	78.93%	79.67%	78.01	78.47%	78.00%	79.32%
Probability of Exceeding 3% Tuition Inflation	94.31%	95.82%	93.80%	95.21%	94.16%	95.66%
Median Sharpe Ratio	0.42	0.38	0.41	0.36	0.41	0.37
Expected Worst Year	-37.08%	-36.58%	-37.24%	-37.07%	-36.64%	-36.52%
Expected Worst Year (Last 8 years)	-28.12%	-20.80%	-28.99%	-20.77%	-26.01%	-21.54%
Expected Worst Year (Last 4 years)	-18.06%	-11.68%	-17.97%	-11.63%	-15.87%	-11.95%

Gap Analysis

Meketa's Gap Analysis examined the single fund options available in the Plan against the industry to 1) determine if the Plan offers a reasonable number of options with minimal overlap and 2) ensure the Plan includes an array of funds covering the investible universe. Following are excerpts from the full analysis.

In aggregate, the Plan offers eight single fund offerings, which account for roughly a quarter of the total assets in the Plan. These offerings provide broad-based exposure to the largest asset classes and have some overlap in the same asset class, offering participants a choice between active and passive funds, as well as some ESG options. As compared to the industry, the number of single fund options the Plan offers is in line with other Direct plans, which on average include 7 options.

The following table shows each Single Fund Portfolio in the ScholarShare line-up, categorized into major asset classes:



US Equity				
Large Value	Large Core	Large Growth	Mid Core	Small Core
--	Nuveen Lg Responsible Eq (TISCX) Nuveen Eq Index (TIEIX)	--	--	--
Non-US Equity				
Global Equity	Foreign Large Blend		Emerging Markets	
--	Nuveen Intl Responsible Eq (TSONX) Active International Equity Portfolio		Index International Equity Portfolio	
Fixed Income				
Intermediate-Term Core Bond	Short-Term Bond	Govt Bond		
Nuveen Bond Index (TBIIX) Nuveen ESG US Agg Bond ETF (NUBD)	--	--		
Diversifying Assets				
Real Estate	High Yield	Inflation Protected Bond	Inflation Protected Bond	
--	--	--	--	
Savings				
Stable Value	FDIC	Money Market		
T-C Life	--	--		

Conclusion

Meketa finds TFI's analysis to be comprehensive and insightful while utilizing consistent and reasonable inputs in developing their conclusions. Meketa agrees the existing glidepaths are sound and should meet TFI's expectation for a reasonable rate of expected return while being cognizant of the risks incurred to achieve those returns. Meketa, therefore, concurs with TFI's analysis and recommendation.

KRC/AK/IH/mp