

## MINUTES

### SCHOLARSHARE INVESTMENT BOARD November 29, 2001 – 2:00 PM – 2:40 PM Teleconference

The meeting was called to order at 2:10 PM by Chair Anne Stausboll.

Present: Anne Stausboll for Philip Angelides, Chair  
Bob Spurlock for Kerry Mazzoni, Office of the Secretary for Education  
Allison Jones  
Allison Okyle  
Maria Elena Serna

Staff: Carrie Douglas Fong, Executive Director, ScholarShare Investment Board  
Sue Mapes, Program Manager, ScholarShare Investment Board  
Marian Cohen, Program Manager, Governor's Scholarship Programs  
Allen Emkin, Pension Consulting Alliance (PCA)  
Anthony Roberts, TIAA-CREF  
Deborah Schulte, State Treasurer's Office Counsel

The Chair declared a quorum present.

The minutes from the ScholarShare Investment Board October 12, 2001 meeting were approved as submitted.

#### Item #2

#### Staff Report

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Carrie Douglas Fong noted that there was a correction in the last exhibit of Tab 6 of the agenda material. The Aggressive Age Based Option was updated to reflect changes TIAA-CREF is recommending to its asset allocation.

Ms. Douglas Fong presented updated program statistics. The number of accounts currently opened is 51,797, total assets are approximately \$244 million and the average account balance is \$4,710.

New account inquiries have risen to the same levels as the previous year, however enrollments are down since the September 11<sup>th</sup> attacks. The rise in inquiries can be partially attributed to the recent email campaign to people who have requested to be placed on TIAA-CREF's email lists, as well as staff's marketing campaign to county and city government offices.

TIAA-CREF, Tuition Financing, Inc. (TFI) has agreed to accept Cerulli Associates' (Cerulli) goal of generating 32,000 new accounts in 2002 as well as the estimates for the remaining years of the contract that is set to expire in 2006. Staff is working out the details of other marketing provisions with TFI and plans to bring investment, marketing, and administrative standards to the Board meeting in January.

Based on Cerulli's recommendation, Staff will bring a Request for Proposal for a third party distributor of ScholarShare accounts to the Board for a vote at its next meeting. Also at that meeting, Cerulli will present its final, written report and TFI will report on the success of the holiday print ad campaign.

TFI will begin online enrollment and the rollout of the new Aggressive Age Based Option in January 2002.

The new federal tax bill requires significant changes to California statute and regulations. Staff will be working on those changes in the coming month and will update the Board at the January meeting.

Ms. Douglas Fong reported that over 77,500 of the 106,000 students identified as having qualifying scores have claimed their Governor's Scholarship Awards and that nearly 400 students have claimed the Governor's Distinguished Math and Science award. The jump in claiming is attributed to the resolution of several date-of-birth issues that affected hundreds of students.

The Department of Education and schools will begin notifying students of awards based on 2001 test scores in January. Staff continues to contact schools with low claiming rates for 2000 test scores. It was noted that finding contacts at the schools has been very difficult at times. Staff is in the process of developing a new master list of schools and contacts.

**Item # 3**

**Approval of Emergency Regulations to Conform ScholarShare  
Regulations to 2001 Tax Relief Act**

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Ms. Sue Mapes presented new emergency ScholarShare regulations. These regulations will allow ScholarShare to conform to changes made to Section 529 of the Internal Revenue Code by the Economic Growth and Tax Relief Reconciliation Act of 2001. Additionally, changes were made to streamline certain administrative activities that will serve to enhance the program in the future, as well as enabling ScholarShare to begin opening accounts online.

Member Spurlock moved that the Board approve the emergency regulations package. Member Okyle seconded. The motion was approved unanimously.

**Item # 4**

**Approval of Permanent Regulations Governing General Administration  
Of Governor's Scholarship Programs**

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Ms. Marian Cohen presented the permanent Governor's Scholarship Programs regulations. In November 2000, the Board approved emergency regulations to implement the Governor's Scholarship Programs. These regulations became effective December 1, 2000, and will expire November 30, 2001. The rulemaking process requires the Board to approve the enclosed final regulations before staff submits the package to the Office of Administrative Law as permanent regulations.

Member Okyle inquired about a letter sent to scholarship recipients that asked students to complete a form, even if they had already provided information. Member Okyle will provide staff with a copy of the letter.

Member Jones moved that the Board approve the permanent regulations for the Governor's Scholarship Programs. Member Serna seconded. The motion was approved unanimously.

**Item #5**

**Approval of Emergency Regulations for Governor's Scholarship Programs**

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Staff modified the proposed final regulations to further clarify and streamline administrative activities of the Governor's Scholarship Programs. Examples include provisions to allow for additional electronic communications and a more clearly defined appeal process.

Member Jones moved that the Board approve the emergency regulations for the Governor's Scholarship Programs. Member Serna seconded. The motion was approved unanimously.

**Item #6**

**Approval of Asset Allocation for Age-Based Investment Option for 2002**

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At the last meeting of each calendar year the Board reviews the asset allocation of the Age-Based Asset Allocation investment option to determine if any changes are necessary. Mr. Anthony Roberts, TIAA-CREF, presented TIAA-CREF's recommendations. This year, TIAA-CREF recommends that the Trust keep the same allocation percentages for each asset class in the age-based option but that the domestic equity component be diversified by adding a mix of the Institutional Equity Index Fund and the Institutional Growth and Income Fund to the current Institutional Growth Equity Fund.

Mr. Allan Emkin, PCA, stated his concurrence with this recommendation, noting that diversity will optimize returns while reducing volatility.

Member Spurlock moved that the Board approve the new asset allocation recommended by TIAA-CREF for 2002 and that the ScholarShare Investment Policy be changed accordingly. Member Okyle seconded. The motion was approved unanimously.

**Other Business**

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Chair Stausboll called for public comment. There was none. There being no further business before the board, the Chair adjourned the meeting at 2:40 PM.

Respectfully submitted by,

Carrie Douglas Fong  
Executive Director, ScholarShare Investment Board