MINUTES SCHOLARSHARE INVESTMENT BOARD

March 6, 2008, 1:00 p.m. Teleconference

Chair Patricia Wynne called the meeting to order at 1:11 p.m.

Present: Patricia Wynne for Bill Lockyer, State Treasurer

Anne Sheehan for Michael C. Genest, Department of Finance (via teleconference)

Dena Wilson for David Long, Office of the Secretary of Education

(joined at 1:30 p.m.)

Antoinette Chandler (via teleconference)

Staff: Zeny Marie Agullana, Executive Director, ScholarShare Investment Board (SIB)

Don Sherman, Manager, SIB Stanley Zeto, Analyst, SIB

Ali Cooper, Outreach Coordinator, SIB Sue Lim, Compliance Officer, SIB

Kristin Smith, Staff Counsel, State Treasurer's Office (STO)

Consultants: Allan Emkin, Managing Director, Pension Consulting Alliance, Inc. (PCA)

Jeremy Thiessen, Senior Vice President, PCA

Andrea Feirstein, Managing Member, AKF Consulting LLC

Fidelity: Joe Ciccariello, Vice President, College Planning, Fidelity Investments (Fidelity)

Jeff Troutman, Vice President, College Planning, Fidelity Investments

Institutional Services (FIIS)

Stephen Connors, Vice President, Marketing, Fidelity Chris Sorenson, Vice President, Distribution, Fidelity

Jared Heaton, Director, Distribution, Fidelity Chris Sharpe, Portfolio Manager, Fidelity David Taylor, Branch Manager, Fidelity Larry Goodkind, Branch Manager, Fidelity

The Chair declared a quorum present at 1:30 p.m.

The Board decided to change the order of the items and have Agenda Items 1, 3 and 4 follow Agenda Items 2 and 5.

Board Agenda Item Number One Approval of Minutes from December 12, 2007 Meeting

The minutes from the December 12, 2007 ScholarShare Investment Board (SIB or Board) meeting were presented to the Board.

Board Action:

Member Sheehan moved to approve the item before the Board, the minutes from the December 12, 2007 SIB meeting. The motion was seconded by Member Wilson and approved by the Board.

Board Agenda Item Number Two Executive Director's Report

Ms. Zeny Marie Agullana, SIB, updated the Board with notice of resignations of two Board members, Sabrina Kay and Alice Perez. Ms. Agullana also provided an update on 2007 wrap-up meetings Staff had with current vendors, and various outreach events ScholarShare participated in during the past couple of months, including the ScholarShare Project for Achievement and Recognition of Creativity (SPARC), and the First Lady's "We Connect" events throughout the state.

Mr. Don Sherman, SIB, provided the Board with an update on legislation including a brief overview of some current bills in the Legislature.

Mr. Stanley Zeto, SIB, provided updates on SIB's current Request for Proposals (RFPs) and contracts and the Governor's Scholarship Programs.

Board Agenda Item Number Three Resolution to Enter Into Contract with 529 Industry Consultant

Mr. Zeto reported that the current contract SIB has with its 529 industry consultant expires in April 2008. Mr. Zeto stated that proposals received in response to this RFP were received in December 2007, and the contract was awarded to AKF Consulting LLC (AKF) in January 2008. Mr. Zeto stated that Staff recommended the Board adopt Resolution No. 2008-01, authorizing the Executive Director to enter into a contract with AKF to provide 529 industry consulting services to SIB.

Board Action:

Member Wilson moved to approve the item before the Board, Resolution No. 2008-01, authorizing the Executive Director to enter into a contract with AKF to provide 529 industry consulting services to SIB. The motion was seconded by Member Chandler and approved by the Board.

Board Agenda Item Number Four Resolution to Enter Into Contract with Investment Consultant

Mr. Stanley Zeto noted that the current contract SIB has with its investment consultant expires in April 2008. Mr. Zeto stated that proposals were received in February 2008 and the contract was awarded to Pension Consulting Alliance, Inc. (PCA) in March 2008. Mr. Zeto stated that Staff

recommended the Board vote to adopt Resolution No. 2008-02, authorizing the Executive Director to enter into a contract with PCA, to provide investment consulting services to SIB.

Board Action:

Member Sheehan moved to approve the item before the Board, Resolution No. 2008-02, authorizing the Executive Director to enter into a contract with PCA to provide 529 investment consulting services to SIB. The motion was seconded by Member Wilson and approved by the Board.

Board Agenda Item Number Five College Savings Market Review

Ms. Andrea Feirstein, AKF, presented a report on "Recent College Savings Market Performance," which provided a brief overview of the college savings market from a national perspective as well as from a California perspective.

Board Agenda Item Number Six Review and Analysis of Fidelity Investments' Investment Performance for the ScholarShare Advisor Plan for the Fourth Quarter of 2007 and Year End 2007

Mr. Allan Emkin, PCA, presented an overview of Fidelity Investments' (Fidelity) Advisor Plan investment performance for the fourth quarter of 2007. Mr. Emkin noted that most of Fidelity's portfolios were in the positive range for the fourth quarter of 2007 with the exception of four portfolios in the caution range and three portfolios in the acceptable range. Mr. Emkin recommended that the Board request information from Fidelity regarding their fixed income portfolios and how they plan to address those portfolios that underperformed.

Mr. Chris Sharpe, Fidelity, presented Fidelity's Advisor Plan Investment Performance Review for the fourth quarter of 2007, and provided information about the portfolios, the home mortgage market and its effect on the portfolios in the Advisor Plan.

Mr. Emkin recommended that the Board and Fidelity proactively communicate with ScholarShare participants about the volatility of the market and how it impacts their investments.

Board Agenda Item Number Seven Review and Analysis of Fidelity Investments' Investment Performance for the ScholarShare Direct Plan for the Fourth Quarter of 2007 and Year End 2007

Mr. Emkin, PCA, presented an overview of Fidelity's Direct Plan investment performance for the fourth quarter of 2007. Mr. Emkin noted that most of Fidelity's portfolios were in the positive range for the fourth quarter of 2007, with the exception of two portfolios in the caution and two portfolios in the acceptable range.

Mr. Sharpe, Fidelity, presented Fidelity's Direct Plan Investment Performance Review for the fourth quarter of 2007.

Board Agenda Item Number Eight

Review of Fidelity Investments' Administrative Performance for the ScholarShare Direct Plan for the Fourth Quarter of 2007 and Year End 2007

Mr. Chris Sorenson, Fidelity, provided a brief summary of the administrative performance for the ScholarShare Direct Plan during the fourth quarter of 2007 noting that performance in the first quarter of 2008 has already shown a large improvement over the third and fourth quarters of 2007.

Areas of underperformance during the fourth quarter included non-financial correspondence, e-mail inquiries, new account set-up and call center. In response to fourth quarter administrative underperformance, Mr. Jared Heaton, Fidelity, stated that accuracy and customer experience training is being reinforced and has progressed during the last two quarters.

Board Agenda Item Number Nine

Review of Fidelity Investments' Marketing Performance for the ScholarShare Advisor Plan for Year End 2007

Mr. Jeff Troutman, Fidelity, presented Fidelity's 2007 Marketing Review for the Advisor Plan, summarizing Fidelity's partnerships, marketing promotions, strategies, resources and campaigns throughout 2007.

Board Agenda Item Number Ten

Review of Marketing Performance Criteria for the ScholarShare Advisor Plan for 2008

Mr. Troutman presented Fidelity's 2008 Sales Benchmarks for the Advisor Plan, reviewing results from 2007 and Fidelity's goals for 2008, from both an account and asset perspective. Mr. Troutman noted that the key months for the Advisor Plan are March through April and September through October. Mr. Troutman stated that Fidelity anticipates an increase of producers, advisors with more than \$10,000 in gross sales over the prior 12-month period, by two thirds in 2008.

Board Agenda Item Number Eleven

Review of Fidelity Investments' Marketing Performance for the ScholarShare Direct Plan for Year End 2007

Mr. Stephen Connors, Fidelity, presented Fidelity's 2007 Marketing Review for the Direct Plan, summarizing account and asset results, online direct mail, advertising results, and local marketing development results. Mr. Connors stated that Fidelity has fifty customer-related events scheduled for this year.

Ms. Agullana stated that Staff has added Mr. Ed Emerson to its Outreach personnel to connect with Public employees, and assist in marketing the ScholarShare program to them.

Board Agenda Item Number Twelve Fidelity Investments' College Savings Indicator

Mr. Joe Ciccariello, Fidelity, provided the Board with a detailed report on the College Savings Indicator study, including its goals, methodology and findings. Mr. Ciccariello stated that Fidelity is in the process of conducting surveys and will report back to the Board.

Public Comment

Chair Wynne called for public comment. There was none.

There being no further business before the Board, the Chair adjourned the meeting at 3:10 p.m.

Respectfully submitted by,

Zeny Marie Agullana, Executive Director ScholarShare Investment Board