

**MINUTES  
SCHOLARSHARE INVESTMENT BOARD**

**December 8, 2016**

Chair Vince Brown called the meeting to order at 1:04 PM.

***Present:***

Members: Vince Brown for John Chiang, State Treasurer  
Justyn Howard for Michael Cohen, Finance Director, Department of Finance  
David Sapp for Karen Stapf Walters, Executive Director, State Board of  
Education  
Hal Geiogue, Governor Appointee, California Student Aid Commission  
Christopher Jennings, Speaker Appointee  
Paul Martin, Governor Appointee – Member at Large (arrived at 1:26 PM)

Absent: Rhonda Johnson, Senate Rules Committee Appointee

***Present:***

Staff: Julio Martinez, Executive Director, ScholarShare Investment Board  
(SIB or Board)  
Stanley Zeto, Deputy Executive Director, SIB  
Mario Sierras, Manager, SIB  
Diana Sanchez, SIB  
Carolina Hernandez, SIB  
Deborah Yang, Legal Counsel, STO

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

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

Chair Brown declared a quorum present.

**Board Agenda Item Number One**

**Approval of Minutes from September 29, 2016 ScholarShare Investment Board Meeting**

The minutes for the September 29, 2016 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 September 29, 2016 ScholarShare Investment Board meeting.

MOTION: Member Geiogue      SECONDED: Member Jennings  
AYES: Members Brown, Howard, Sapp, Geiogue, Jennings  
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 the ScholarShare College Savings Plan (Plan).

Mr. Julio Martinez, SIB, provided updates on ScholarShare's annual meeting with Morningstar in Chicago and reported that ScholarShare maintained its Morningstar Silver rating for 2016. Member Geiogue inquired about the Morningstar rating and what factors affect the rating. Ms. Andrea Feirstein, AKF, and Mr. Chris Lynch, TFI, provided a few insights on the potential factors that determine the rating. Mr. Martinez reported that the Plan's assets exceeded \$7 billion and that a reduction in the program management fee would take place by year end. Mr. Martinez also provided an update on the upcoming K-8 school grant program launching in February 2017.

Mr. Mario Sierras, SIB, provided an update on ScholarShare's recent marketing and outreach efforts, contracts recently signed, and the Governor's Scholarship Program (GSP). Member Howard inquired about the communication with GSP award recipients. Mr. Zeto responded that recipients receive notices about their GSP award twice a year.

Chair Brown asked for public comment. There was none.

**Board Agenda Item Number Three**  
**Review of 2017 Asset Allocation Recommendation for the ScholarShare College Savings Plan**

---

Mr. Jeremy Thiessen, TFI, presented TFI's 2017 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 2017.

Mr. Eric White, PCA, presented PCA's analysis of TFI's recommendation and stated that PCA and SIB staff agreed with TFI recommendation for no changes in 2017.

Member Sapp inquired about the appropriate number of portfolios to offer account owners and whether there was research insight on this item. Mr. Thiessen discussed some available studies and provided a general overview of the number of portfolios offered by other direct-sold 529 plan. Member Thiessen also responded that the current number of portfolios offered in the Plan was determined to offer a variety of choices to all types of investors. Mr. Martinez and Ms. Vivian Tsai, TFI, added that SIB and TFI were exploring additional tools to educate and further assist families with making their investment choice.

Chair Brown asked for public comment. There was none.

**Board Agenda Item Number Four**  
**Review and Analysis of Investment Performance for the ScholarShare College Savings Plan for Third Quarter 2016 and Resolution to Approve Removal of TIAA-CREF Bond Index Fund from Watch Status**

---

Mr. Thiessen presented TFI's Investment Performance Report for the Plan for third quarter 2016 comparing each underlying fund allocated to the portfolios used in the Plan to the applicable benchmark criteria.

Mr. White presented PCA's Investment Performance Status Report for the Plan for third quarter 2016 as well as PCA's analysis on the funds on "watch" status. Member Geiogoue inquired about the funds in "caution" status, to which Mr. Thiessen and Mr. White provided an explanation. Mr. White discussed PCA's recommendation to remove the TIAA-CREF Bond Index fund from "watch" status.

SIB staff recommended that the Board adopt Resolution No. 2016-08 approving the removal of the TIAA-CREF Bond Index Fund from "watch" status

Chair Brown asked for public comment. There was none.

Board Action

Motion to adopt Resolution No. 2016-08 to approve removal of the TIAA-CREF Bond Index Fund from "watch" status.

MOTION:	Member Sapp	SECONDED:	Member Jennings
AYES:	Members Brown, Howard, Sapp, Geiogoue, Jennings, Martin		
NOES:	None		
ABSTAIN:	None		
RECUSE:	None		

MOTION APPROVED

**Board Agenda Item Number Five**  
**Review of 2017 Marketing Plan and 2016 Marketing Update for the**  
**ScholarShare College Savings Plan**

-

Mr. Doug Harrison, TFI, presented TFI's Marketing Update for the Plan outlining marketing results through the third quarter of 2016, including an overview of the account and asset results, 2016 budget, and marketing activities. Mr. Harrison also provided an update on the marketing activities planned for the upcoming year. Mr. Harrison and Ms. Pam McNulty, TFI, responded to questions from Board members about the marketing strategies and promotions and the budget.

Ms. Yvette Haring, TFI, presented an update on employer outreach and noted a number of new employers offering the Plan to their employees.

Chair Brown asked for public comment. There was none.

**Board Agenda Item Number Six**  
**Review of Administrative Performance for the ScholarShare College Savings Plan**  
**for Third Quarter**  
**2016**

Ms. Vivian Tsai, TFI, presented TFI's Administrative Performance Report for the Plan for third quarter 2016. For the third quarter, TFI did not underperform in any area. Member Geiogoue inquired about the administrative performance criteria currently in place. Mr. Lynch and Ms. Tsai provided additional information about the benchmarks and Mr. Martinez stated that SIB staff and TFI would review them further.

**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 3:31 PM.