

MINUTES
SCHOLARSHARE INVESTMENT BOARD

April 13, 2006, 3:00 p.m.
Teleconference

Chair Dennis Trujillo called the meeting to order at 3:06 p.m.

Present: Dennis Trujillo for Phil Angelides, State Treasurer
Tom Dithridge for Michael C. Genest, Department of Finance
Cathleen Cox for Alan Bersin, Office of the Secretary for Education
Allison Jones (via phone)
Sabrina Kay (joined at 3:13 p.m. via phone)
Allison Levyn (via phone)
Maria Elena Serna (via phone)

Staff: Carrie Douglas Fong, Executive Director, ScholarShare Investment Board (SIB)
Don Sherman, Manager, SIB
Stanley Zeto, Analyst, SIB
Julia Bilaver, Staff Counsel, State Treasurer's Office

Consultants: Allan Emkin, Pension Consulting Alliance, Inc. (via phone)
John Charley, Pension Consulting Alliance, Inc.
Andrea Feirstein, AKF Consulting LLC (via phone)

TIAA-CREF: Phil Rollock, Vice President, TIAA-CREF Tuition Financing, Inc. (TFI) (via phone)
Chris Lynch, Regional Director, TFI (via phone)
Kathleen Tunson, Marketing Director, TFI (via phone)
Stephen MacDonald, Business Analysis, TFI
Cindy Wilson, Program Manager, TFI
Christine Doyle, Attorney, TFI (via phone)

The Chair declared a quorum present.

Board Agenda Item Number One
Minutes from December 12, 2005 Meeting

The minutes from the December 12, 2005 ScholarShare Investment Board (SIB) meeting were approved as submitted.

Board Agenda Item Number Two
Staff Report

Ms. Carrie Douglas Fong, SIB, presented the Staff Report to the Board and added that there are no significant changes with regards to the Governor's Scholarship Program (GSP).

In response to Member Cox's inquiry, Mr. Don Sherman, SIB, reported that the final number of new unique accounts opened in 2005 was 24,436.

Board Agenda Item Number Three
Review of TIAA-CREF's Fourth Quarter 2005 Investment Performance

Mr. John Charley, PCA, presented the Board with the Fund Performance Status Report through December 31, 2005, concluding that the Large Cap Value Fund and Small Cap Equity Fund remain in the "caution" range. Mr. Stephen MacDonald, TFI, reported that the Large Cap Value Fund has performed substantially above the benchmark during the first quarter of 2006 and shows signs of turning around. Mr. MacDonald also noted that issues regarding trading costs may be impacting the performance of the Small Cap Equity Fund. Mr. Charley reported that the International Equity Fund performed fairly during the fourth quarter of 2005.

Board Agenda Item Number Four
Adopt Resolution to: (1) Select a Direct or an Advisor + Direct Strategy for Program Manager of California's \$1.8 Billion 529 College Savings Program (ScholarShare) and (2) Authorize the Executive Director to Negotiate with and Award Contract to Potential Awardees in the Order of the Scores Assessed by the SIB Evaluation Committee

Ms. Douglas Fong stated the Board voted last year to issue a Request for Proposal (RFP) for a Program Manager for California's 529 College Savings Program. This RFP was issued in December. Ms. Douglas Fong stated that SIB received responses in mid-February from three potential vendors: Fidelity Investments, Upromise Investments, Inc. and TIAA-CREF Tuition Financing, Inc.

Ms. Douglas Fong briefly described each of the proposals and noted their merits. Chair Trujillo directed Staff to continue monitoring regulatory issues pertaining to the high bidder and try to understand its commitment to the Mutual Fund Protection Principles. Chair Trujillo also recommended Staff continue asking questions and conducting its due diligence during final contract negotiations. The Board was provided additional material including Resolution No. 2006-01. Staff recommended that the Board adopt Resolution No. 2006-01. Member Dithridge recommended changing the words "the bidder" in the last sentence of the resolution to "the second highest scoring bidder." The Board agreed with this proposed change.

Board Action:

Member Kay moved to adopt Resolution No. 2006-01 as amended. The motion was seconded by Member Serna and approved by the Board.

Public Comment

Chair Trujillo called for public comment. There was none.

There being no further business before the Board, the Chair adjourned the meeting at 4:15 p.m.

Respectfully submitted by,

Carrie Douglas Fong, Executive Director
SCHOLARSHARE INVESTMENT BOARD