

**MINUTES  
SCHOLARSHARE INVESTMENT BOARD**

**March 22, 2012**

Chair Patricia Wynne called the meeting to order at 1:10 PM.

***Present:***

Members: Patricia Wynne for Bill Lockyer, California State Treasurer  
Diana Ducay for Ana J. Matosantos, Director of Finance  
Camille Esch for Sue Burr, State Board of Education  
Antoinette Chandler  
Rhonda Johnson

Staff: Zeny M. Agullana, Executive Director, ScholarShare Investment Board  
(SIB or Board)  
Arlene Greene, Deputy Director, SIB  
Stanley Zeto, SIB  
Sue Lim, SIB  
Joyce Eriksson, SIB  
Mark Paxson, General Counsel, State Treasurer's Office (STO)

Consultants: Jeremy Thiessen, Managing Director, Pension Consulting Alliance, Inc., (PCA)  
Eric White, Senior Analyst, PCA  
Andrea Feirstein, Managing Director, AKF Consulting Group (AKF)

Fidelity: Matt Golden, Vice President, College Savings, Fidelity Investments  
Institutional Services (FIIS) (via telephone)

TFI: Doug Chittenden, President, TIAA-CREF Tuition Financing, Inc. (TFI)  
Pamela McNulty, Senior Director, Head of Marketing, TFI  
Craig Parkin, Director, Head of State Relationship Management, TFI  
Laura Moewe, Program Director, CA Relationship Manager, TFI  
Ed Mihallo, Director, Investment and Product Strategy, TFI  
Don Wolf, Senior Marketing Manager, TFI

Chair Wynne declared a quorum present.

Chair Wynne announced that Board Members Mark Vargas and Lawrence Hershman were no longer on the Board.

## **Board Agenda Item Number One**

### **Approval of Minutes from December 8, 2011 ScholarShare Investment Board Meeting**

The minutes for the December 8, 2011 SIB meeting were presented to the Board.

#### **Board Action**

Member Ducay moved to approve the item before the Board, the minutes for the December 8, 2011 SIB meeting. The motion was seconded by Member Chandler and approved by the Board.

## **Board Agenda Item Number Two**

### **Executive Director's Report**

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Ms. Zeny Agullana, SIB, presented the Executive Director's Report, providing an update on recent activities and legislation.

Mr. Stanley Zeto, SIB, provided updated account and asset data for the ScholarShare College Savings Plan (Direct Plan) and ScholarShare Advisor College Savings Plan (Advisor Plan), and a brief update on the Governor's Scholarship Programs (GSP).

Ms. Arlene Greene, SIB, provided an update on marketing and outreach activities. Ms. Greene also provided an update on the California ScholarShare Advancement Vehicle for Education (CalSAVE) program. Member Johnson suggested that ScholarShare look at offering support to foster youth after the student ages out at age 23, as the need remains.

Ms. Agullana provided an update on inquiries regarding the status of GSP. Ms. Agullana also reported that the transition of Advisor Plan accounts and assets to the Direct Plan is scheduled to be completed the weekend of March 24-25, 2012.

Ms. Andrea Feirstein, AKF, provided an industry update for the fourth quarter 2011 stating that there had been an increase in personal savings, which brought some improvement in the college savings market. Ms. Feirstein reported that there was a trend toward investment in lower-risk options and bank products in the past 18 months. Ms. Feirstein also noted a trend in states offering direct-sold plans only.

Mr. Douglas Chittenden, TFI, provided an update on the TFI organizational staffing structure for the ScholarShare Plan and its other 529 plans.

## **Board Agenda Item Number Three**

### **Resolution to Approve Amendment to Increase Contract Amount for Agreement No. SIB 10-10 with Pension Consulting Alliance, Inc. for Investment Consulting Services**

Mr. Zeto presented a resolution to the Board to approve an increase in the contract amount for Agreement No. SIB 10-10 with PCA for investment consulting services to ensure sufficient funds are available during the remaining term of the contract.

Board Action

Member Ducay moved to approve the item before the Board, Resolution No. 2012-01, the amendment to increase the maximum amount of Agreement No. SIB 10-10 with PCA for investment consulting services. The motion was seconded by Member Chandler and approved by the Board.

**Board Agenda Item Number Four**  
**Resolution to Approve Changes to the ScholarShare Statement of Investment Policy**

Mr. Jeremy Thiessen, PCA, presented to the Board proposed changes to the ScholarShare Statement of Investment Policy, which consist of the removal of all references to the Advisor Plan.

Board Action

Member Johnson moved to approve the item before the Board, Resolution No. 2012-02, approving changes to the ScholarShare Statement of Investment Policy. The motion was seconded by Member Ducay and approved by the Board.

**Board Agenda Item Number Five**  
**Resolution to Approve Changes to the ScholarShare Monitoring Procedures and Criteria**

Mr. Thiessen presented to the Board proposed changes to the ScholarShare Monitoring Procedures and Criteria. Mr. Thiessen reported that the changes consist of removal of all reference to the Advisor Plan, including its portfolios and funds, and other revisions related to the funds and benchmarks.

Board Action

Member Ducay moved to approve the item before the Board, Resolution No. 2012-03, approving changes to the ScholarShare Monitoring Procedures and Criteria. The motion was seconded by Member Johnson and approved by the Board.

**Board Agenda Item Number Six**  
**TIAA-CREF Tuition Financing, Inc.'s Marketing Update for the ScholarShare Direct Plan**

Ms. Pamela McNulty, TFI, provided an introduction to the marketing update, reporting challenges in promoting the ScholarShare brand, and noted that the early results were positive.

Mr. Don Wolf, TFI, provided a marketing overview for the Direct Plan identifying results of efforts completed since transition in November 2011, as well as a look at efforts planned for the remainder of the year. Member Esch inquired whether it was difficult to introduce the

product on campus at the elementary school level. Mr. Wolf reported that unless invited, TFI does not go on-site to school campuses. Member Chandler inquired about the difference between the various social media marketing channels including blogs and Twitter. Mr. Wolf provided an explanation on these various social media tools.

#### **Board Agenda Item Number Seven**

##### **Review of TIAA-CREF Tuition Financing, Inc.'s Administrative Performance for the ScholarShare Direct Plan for Fourth Quarter 2011**

Ms. Laura Moewe, TFI, provided the quarterly administrative performance report comparing its performance during the fourth quarter of 2011 to the benchmarks adopted by the Board. Ms. Moewe reported that for the fourth quarter, TFI underperformed (by more than two percent) in one performance area, Account Processing – New Accounts Accuracy.

Member Ducay inquired how TFI was addressing third party contributions to ScholarShare accounts. Mr. Chittenden reported that TFI does not presently have the ability to store the information for investment allocations and assured the Board that TFI is in the process of developing a structure to address this need. Additionally, Mr. Chittenden indicated some options to put in place in the meantime to clarify the contribution process until the updated structure is available later this year.

#### **Board Agenda Item Number Eight**

##### **Review and Analysis of TIAA-CREF Tuition Financing, Inc.'s Investment Performance for the ScholarShare Direct Plan for Fourth Quarter 2011**

Mr. Ed Mihalho, TFI, presented TFI's investment performance report for the Direct Plan providing a brief market update and highlighting the performance of the portfolios and funds during the fourth quarter.

Mr. Thiessen presented PCA's Direct Plan Investment Performance Status Report for fourth quarter 2011, highlighting the performance of the underlying funds in the Direct Plan portfolios compared to the approved investment performance criteria.

#### **Board Agenda Item Number Nine**

##### **Review and Analysis of Fidelity Investments' Investment Performance for the ScholarShare Advisor Plan for Fourth Quarter 2011**

Mr. Thiessen presented PCA's Advisor Plan Investment Performance Status Report for fourth quarter 2011, highlighting the performance of the asset classes and portfolios in the Advisor Plan compared to the approved investment performance criteria.

Member Chandler inquired how to illustrate the overall investment performance of the plan, the continuance of plan performance, and comparing the past and current investment line up. PCA will follow-up with Member Chandler regarding her inquiry.

Mr. Matt Golden, Fidelity, provided Fidelity's investment performance review for the Advisor Plan for fourth quarter 2011.

**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 3:26 PM.

Respectfully submitted by,

Zeny M. Agullana, Executive Director  
ScholarShare Investment Board