

**MINUTES  
SCHOLARSHARE INVESTMENT BOARD**

**October 2, 2014**

Chair Bettina Redway called the meeting to order at 1:03 PM.

***Present:***

Members: Bettina Redway for Bill Lockyer, California State Treasurer  
Eraina Ortega for Michael Cohen, Director of Finance  
Brooks Allen for Karen Stapf Walters, Executive Director, State Board of Education  
Hal Geiogue, Governor Appointee, California Student Aid Commission  
Christopher Jennings, Speaker Appointee  
Rhonda Johnson, Senate Rules Committee Appointee

Staff: Arlene Greene, Executive Director, ScholarShare Investment Board  
(SIB or Board)  
Stanley Zeto, Deputy Executive Director, SIB  
Mario Sierras, Manager, SIB  
Maria Collins, SIB  
Brian Gorban, SIB  
Diana Sanchez, SIB  
Joyce Eriksson, SIB  
Deborah Yang, Senior Attorney, State Treasurer's Office

Consultants: Allan Emkin, Managing Director, Pension Consulting Alliance, Inc. (PCA)  
Eric White, Principal, PCA  
Sean Copus, Senior Analyst, PCA  
Andrea Feirstein, Managing Director, AKF Consulting Group (AKF),  
Via conference call

TFI: Jeremy Thiessen, Senior Director, Education Savings, TIAA-CREF Tuition  
Financing, Inc. (TFI)  
Vivian Tsai, Senior Director, Education Savings, TFI  
Don Wolf, Senior Marketing Manager, TFI

Chair Redway declared a quorum present.

**Board Agenda Item Number One**  
**Approval of Minutes from June 5, 2014 ScholarShare Investment Board Meeting**

The minutes for the June 5, 2014 SIB meeting were presented to the Board.

*Board Action*

Member Johnson moved to approve the item before the Board, the minutes for the June 5, 2014 SIB meeting. The motion was seconded by Member Allen and approved by the Board.

**Board Agenda Item Number Two**  
**Executive Director's Report**

Mr. Stanley Zeto, SIB, provided updated account and asset data for the ScholarShare College Savings Plan (Plan) and an update on the Governor's Scholarship Programs. Mr. Zeto also provided an update on state legislation and contracts currently in progress. Member Geiogue requested additional information for the number of qualified withdrawals. Ms. Vivian Tsai, TFI, offered to follow up on the requested information at the next meeting.

Ms. Arlene Greene, SIB, provided updates on SIB staffing changes and TFI personnel changes. She also provided highlights of ScholarShare's recent marketing and outreach efforts.

**Board Agenda Item Number Three**  
**Resolution to Issue a Request for Proposal for Audit Services**

Mr. Zeto presented Resolution No. 2014-04 authorizing the Executive Director to issue a request for proposals for audit services. Mr. Zeto stated that the term of the contract would be for two years with an option to extend for one additional year. With Board approval, a competitive request for proposals for audit services is expected to be issued in late 2014, or early 2015.

*Board Action*

Member Ortega moved to approve the item before the Board, Resolution No. 2014-04 authorizing the Executive Director to issue a request for proposals for audit services. The motion was seconded by Member Johnson and approved by the Board.

**Board Agenda Item Number Four**  
**Resolution to Approve Changes to the ScholarShare Outreach and Public Education (SCOPE) Plan**

Mr. Zeto presented Resolution No. 2014-05 to approve changes to the ScholarShare Outreach and Public Education (SCOPE) Plan. Mr. Zeto stated that the proposed changes are minor updates to partnership lists and current metrics.

Board Action

Member Geiogue moved to approve the item before the Board, with suggested minor edits, Resolution No. 2014-05, approving changes to the SCOPE Plan. The motion was seconded by Member Ortega and approved by the Board.

**Board Agenda Item Number Five**  
**Review and Analysis of Investment Performance for the ScholarShare Plan for Second Quarter 2014**

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Chair Bettina Redway noted that items designated for information are appropriate for Board action if the Board chooses to take action.

Mr. Allan Emkin, PCA, noted that given the significant organizational changes at PIMCO, PCA recommends that the Board, in accordance with the ScholarShare Monitoring Procedures and Criteria, take necessary action to address and remedy issues relating to PIMCO fund which includes placing the three PIMCO funds (PIMCO Total Return Fund, PIMCO Income Institutional Fund, and PIMCO Real Return Fund) on “watch” status to be closely monitored, and delegating authority to the Executive Director to take immediate action to remove and replace any or all of the PIMCO funds, as conditions warrant. SIB staff and TFI concurred with PCA’s recommendation.

Mr. Eric White, PCA, presented PCA’s Investment Performance Status Report for the Plan for second quarter 2014 and re-iterated that PCA is recommending that PIMCO funds be placed on watch status at this time.

Mr. Jeremy Thiessen, TFI, presented TFI’s Investment Performance Report for the Plan for second quarter 2014 and also provided a current market overview.

Board Action

Member Ortega moved to have the Board approve the recommendation to place all three PIMCO funds on “Watch” status and give direction and authority to the Executive Director to take necessary action, dependent upon market conditions prior to the next Board meeting, with the recommendation of TFI and PCA, to remove any or all of the three PIMCO funds and replace with another actively-managed bond fund(s) with comparable risk return characteristics. Staff will advise the Board before taking any such action, immediately thereafter, and at its next SIB meeting of the action taken by the Executive Director under this direction and authorization and seek Board ratification of the Executive Director’s action, if any. The motion was seconded by Member Allen and approved by the Board.

**Board Agenda Item Number Six**  
**Marketing Update for the ScholarShare Plan**

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Mr. Don Wolf, TFI, provided an update outlining marketing results through the second quarter of 2014 and marketing activities planned for the remainder of the year.

**Board Agenda Item Number Seven**  
**Review of Administrative Performance for the ScholarShare Plan for Second Quarter 2014**

Ms. Vivian Tsai, TFI, presented TFI's Administrative Performance Report for the Plan for second quarter 2014 relative to pre-established performance criteria. Ms. Tsai reported that there were no areas of underperformance by more than the allowable two percent variance for the second quarter 2014. As a follow-up from a prior SIB meeting, Ms. Tsai provided an explanation for the variance between tax reporting numbers in first quarter 2013 and first quarter 2014.

**Public Comment**

Chair Redway called for public comment. There were none.

There being no further business before the Board, the Chair adjourned the meeting at 2:59 PM.