
APRIL 16, 2024

**AGENDA ITEM 8
ACTION ITEM**

SCHOLARSHARE INVESTMENT BOARD

Resolution to Approve Changes to the ScholarShare Monitoring Procedures and Criteria

Recommendation

ScholarShare Investment Board (SIB or Board) staff recommend that the Board adopt Resolution No. 2024-04 approving changes to the ScholarShare Monitoring Procedures and Criteria.

Background

In early-2024, the Board of Trustees of TIAA Funds approved changes to a number of TIAA-CREF underlying funds in the Plan. These changes, some of which went into effect in March 2024 or will go into effect in May 2024, range from naming convention changes to changes to a fund's investment policy and/or investment objective and benchmark.

As a result of these changes to the underlying funds, and as part of SIB's annual review, SIB staff and the Board's investment consultant, Meketa Investment Group, Inc. (Meketa), reviewed the ScholarShare Monitoring Procedures and Criteria (Procedures). The ongoing review of the Procedures has provided the opportunity for Meketa and SIB staff to re-evaluate the methodology used for monitoring the underlying investments (mutual funds) utilized within the Plan. Following this re-evaluation, Meketa is proposing changes to the framework for monitoring the underlying investments moving forward. These changes are summarized in Meketa's "Monitoring Framework Proposal" (Exhibit A) and described in greater detail in Meketa's memo (Exhibit B).

This proposed change to the monitoring framework, along with the changes to the underlying funds noted above, warrant revisions to the Procedures. The proposed revisions are primarily included in the sections on monitoring procedures, investment status, corrective measures, and investment performance criteria schedules, all of which are outlined in redline in the revised Procedures included as an attachment to Meketa's memo in Exhibit B.

Presenters

Julio Martinez, Executive Director, ScholarShare Investment Board
Stanley Zeto, Deputy Executive Director, ScholarShare Investment Board
Kay Ceserani, Managing Principal / Consultant, Meketa Investment Group, Inc.

**SCHOLARSHARE INVESTMENT BOARD
RESOLUTION NO. 2024-04**

**RESOLUTION OF THE SCHOLARSHARE INVESTMENT BOARD
RELATING TO THE APPROVAL OF CHANGES TO THE
SCHOLARSHARE MONITORING PROCEDURES AND CRITERIA**

WHEREAS, the ScholarShare Investment Board (the “SIB” or “Board”) was created under the Education Code section 69980 et seq. (the “Golden State ScholarShare Trust Act” or “Act”);

WHEREAS, the Board has a fiduciary responsibility on behalf of the ScholarShare 529 College Savings Plan (the “Plan”) participants and beneficiaries to monitor the investment manager’s mutual funds and investment performance;

WHEREAS, the Board adopted the Golden State ScholarShare College Savings Trust Monitoring Procedures and Criteria (the “Procedures”) to provide guidelines for monitoring the investment manager’s mutual funds and investment performance as part of its fiduciary responsibility on behalf of the ScholarShare participants and beneficiaries; and

WHEREAS, changes to a number of the third-party investment funds, which partly compose the ScholarShare 529 College Savings Plan (the “ScholarShare 529” or “Plan”), where the changes range from naming convention changes to changes to a fund’s investment policy and/or investment objective and benchmark, went into effect in March 2024 or will go into effect in May 2024; and

WHEREAS, in its review of the Procedures, SIB staff and the Board’s investment consultant, Meketa Investment Groups, Inc. (the “Consultant”) re-evaluated the methodology used for monitoring the underlying investments utilized within the Plan, and are proposing changes to the framework for monitoring the underlying investments; and

WHEREAS, SIB staff and the Consultant recommend revisions to the Procedures to reflect both the proposed changes to the framework for monitoring the underlying investments and the changes to the underlying funds in the Plan.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the changes to the Procedures as recommended by SIB staff and the Consultant and as shown in redline in the attachment to the Consultant’s memo dated April 16, 2024.

BE IT FURTHER RESOLVED, that this Resolution becomes effective upon its adoption by the Board.

Attest: _____
Chairperson

Date of Adoption: _____

ScholarShare 529 College Savings Plan

April 16, 2024

Monitoring Framework Proposal

Objective

Evaluate current monitoring procedures to ensure methodology follows best practices.

Reviewed published research related to the continuous monitoring of actively and passively managed investment managers.

Analysis focused on:



**Monitoring
Factors**



**Method to Assign
Overall Fund Status**

Current Methodology

Active Funds

Quantitative (Performance)

- Benchmark Relative (1-, 3- and 5-year results)

Qualitative (Non-Performance)

- Consistency in investment process and philosophy
- Personnel experience and stability
- Ownership structure
- Legal/regulatory action

Passive Funds

Quantitative (Performance)

- Tracking Error (1- and 3-year results)
- Benchmark Relative (5-year results)

Qualitative (Non-Performance)

- Consistency in investment process and philosophy
- Personnel experience and stability
- Ownership structure
- Legal/regulatory action

Current Methodology

Quantitative Review

Formulaic criteria focused on...

- Relative performance versus a benchmark (Index) over various time periods.
 - Trailing 1-, 3-, 5-year results
 - Acceptable levels of underperformance

Understand underperformance

- Is investment style out of favor?
- What are the biases of the investment strategy?
- Do the portfolio characteristics reflect its stated investment style?
- Is the benchmark/peer group an accurate representation of the fund's opportunity set?
- Is the underperformance consistent with expectations?

Qualitative Review

Non-performance issues

- Has there been a change in...
 - People – PM/Analysts
 - Process
 - Philosophy
 - Organizational Structure
 - Legal/Regulatory Action

Implications of change/event

- Is the change a positive or negative?
- How will it impact the management of the fund?
- How will it impact the firm/team culture?
- Will it be a distraction to the investment process?

Findings

- Monitoring procedures should encompass both quantitative (performance) and qualitative (non-performance) components.
 - Quantitative components should include both benchmark and peer comparisons.
- No consensus on what specific parameters or factors should be utilized.
- Strive to balance the need for mechanical (or formulaic) procedures with the understanding that funds underperformance for multi-periods (several quarters or years) happens routinely.
- SIB's current monitoring processes are mostly consistent with our findings.

Recommendation

We are suggesting the SIB move to a process that provides a more complete picture of a fund's success or failure by implementing the following changes.

Rating Scheme

- Shift to Pass or Fail rating approach

Active Funds

- Benchmark and peer relative results treated independently
- Reduce allowable performance threshold for benchmark underperformance to zero
- Extend allowable time-period to be below benchmark threshold hold from 6 to 9 months
- Establish 12-month allowable time-period to be below median for peer relative thresholds

Passive Funds

- Primarily focusing on qualitative factors
- Review performance for consistency

Current v. Proposed Framework

Criteria for Active Funds	Current	Proposed
# of Criteria	3	4
Benchmark Relative Comparison	Yes	Yes
Performance Thresholds (allowable underperformance)		
Short- and Medium-Term	-0.5% to -6.5%	0.0%
Long-Term (VRR ¹)	0.96 to 0.98	N/A
# of Consecutive Months to Fail	6	9
Peer Relative Criteria	No	Yes, Above Median
# of Consecutive Months to Fail	--	12
Overall Rating	Positive, Acceptable, Caution, or Watch	Pass or Fail
Overall Status Assignment	Watch = Fail 6 consecutive months	Fail = Fail 2 or more criteria results in Watch status

¹ VRR – Value Relative Ratio – is calculated as: fund cumulative return / benchmark cumulative return.

Current v. Proposed Framework

Criteria for Passive Funds	Current	Proposed
# of Criteria	2	N/A
Tracking Error	Yes	No
Maximum Tracking Error		
Short- and Medium Term	0.25% to 0.75%	--
# of Consecutive Months to Fail	6	--
Benchmark Relative Comparison	Yes	No
Long-Term (Rolling 5 Year annualized returns)	-0.30% to -0.35%	--
# of Consecutive Months to Fail	6	--
Benchmark Relative Comparison within Expectations	No	Yes
Considering fees and operational circumstances (e.g., fair value pricing and sampling portfolio construction methodology)	No	Yes
Qualitative Factors	Yes	Yes
Overall Rating	Positive, Acceptable, Caution, or Watch	Pass or Fail
Overall Status Assignment	Watch = Fail 6 consecutive months	Fail = Fail either performance or qualitative criteria results in Watch status

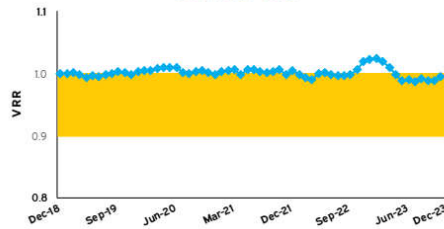
Current

Proposed

ScholarShare Investment Board of California

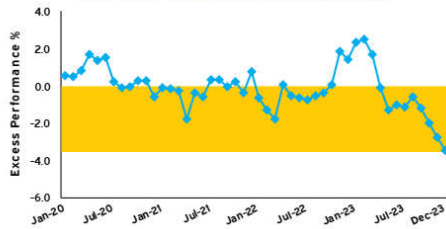
TIAA-CREF Social Choice Equity I | As of December 31, 2023

Long Term - VRR



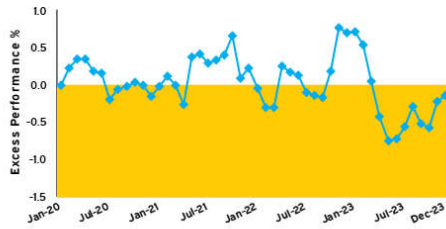
Results fall in the acceptable range.
Probationary Threshold 0.90%

Short Term - Rolling 12-Month Excess Return



Results fall in the acceptable range.
Probationary Threshold - 5.00%

Medium Term - Rolling 36-Month Excess Return



Results fall in the acceptable range.
Probationary Threshold - 2.50%

Portfolio Performance Summary

	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Since Inception	Inception Date
TIAA-CREF Social Choice Equity I	12.7 (14)	22.5 (64)	8.4 (67)	15.1 (38)	12.8 (27)	1/1/2016
Russell 3000 Index	12.1 (29)	26.0 (32)	8.5 (62)	15.2 (33)	12.8 (26)	
Large Blend Median	11.6	24.4	9.0	14.5	12.1	

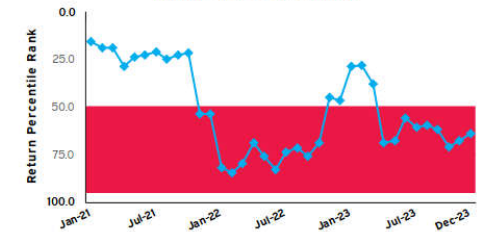
Monitoring Status

Acceptable

ScholarShare Investment Board of California

TIAA-CREF Social Choice Equity I | As of December 31, 2023

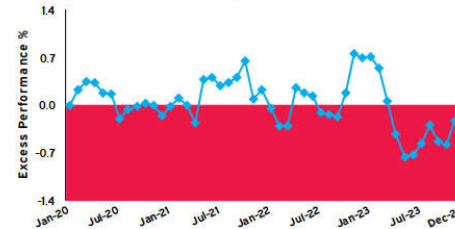
Rolling 1-year Peer Rankings



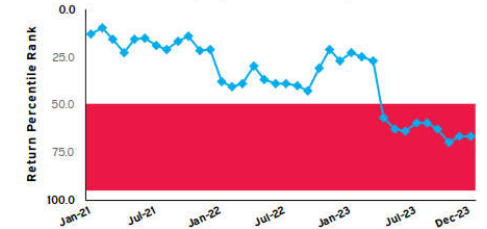
Short Term - Rolling 12-Month Excess Return



Medium Term - Rolling 36-Month Excess Return



Rolling 3-year Peer Rankings



Performance Criteria for Placing a Fund on Watch
Actively Managed Funds

Asset Class	Short-term (rolling 12-month periods) Fund return < bench return For 9 consecutive months	Short-term (rolling 12-month periods) Fund rank below Median For 12 consecutive months	Medium-term (rolling 36-month periods) Fund return < bench return For 9 consecutive months	Medium-term (rolling 36-month periods) Fund rank below Median For 12 consecutive months	Morningstar Sustainability Rating Sustainable Funds Only
All Asset Classes	0.0%	50 th Percentile	0.0%	50 th Percentile	Above Average

Manager Scorecard

Fund	Short-Term Return	Short-Term Peer Rank	Medium-Term Return	Medium-Term Peer Rank	Overall Status
TIAA-CREF Social Choice Equity	Fail	Pass	Fail	Pass	Fail
T Rowe Price Large Cap Value	Fail	Fail	Pass	Pass	Fail
T Rowe Price Large Cap Growth (Currently on Watch)	Pass	Pass	Fail	Pass	Pass

Evaluating the active underlying funds using the proposed criteria as of December 31, 2023, we found t wo funds qualify for Watch:

- TIAA-CREF Social Choice
- T Rowe Price Large Cap Value

We note, the only fund that is currently on Watch, the T Rowe Price Large Cap Growth fund, would no longer qualify under the proposed monitoring criteria.

Appendix

Performance Criteria for Placing a Fund on Watch

Actively Managed Funds

Asset Class	Short-Term (rolling 12-month periods) Fund return < bench return For 6 consecutive months	Medium-term (rolling 36-month periods) Fund return < bench return For 6 consecutive months	Long-term ⁵ (> 60 months) VRR < For 6 consecutive months	Morningstar Sustainability Rating
Domestic Equity	-3.5%	-1.75%	0.97	--
International Equity	-4.5%	-2.0%	0.97	--
Fixed Income	-1.0%	-0.5%	0.98	--
High Yield	-6.5%	-3.25%	0.96	--
Social Choice	-5.0%	-2.50%	0.90	Above Average

Passively Managed Funds

Asset Class	Short-Term (rolling 12-month periods) Tracking Error > For 6 consecutive months	Medium-term (rolling 36-month periods) Tracking Error > For 6 consecutive months	Long-term ⁵ (rolling 60-month periods) Fd annlzd return < bench annlzd return For 6 consecutive months
Domestic Equity	0.30%	0.25%	-0.30%
International Equity	0.75%	0.70%	-0.30%
Fixed Income	0.40%	0.55%	-0.35%

¹ Return discounts from a benchmark return based on 2/3rds of the typical tracking error estimates of the specified type of fund manager.

² Annualized return is the average annual return of either the manager or its benchmark.

³ VRR – Value Relative Ratio – is calculated as: Manager Cumulative Return / Benchmark Cumulative Return.

⁴ Tracking error is a measure of the volatility of the average annual difference between the manager's return and the benchmark's return.

⁵ Long-term analysis is presented for informational value to provide context but is not a factor used to determine an Underlying Investment's status.

Performance Criteria for Placing a Fund on Watch (Continued)

T-C Life Funding Agreements¹
(based on non-investment performance criteria)

Fund Name	Financial Strength	Mortgage Portfolio	Bond Portfolio	Account Diversification
T-C Life Funding Agreements	Moody's \geq Aa2 Standard & Poor's \geq AA A.M. Best \geq A+ Fitch \geq AA	100% in Good Standing	At least 90% Investment Grade	Portfolio is diversified across asset classes and types

ESG Funds
(based on net-of-fee asset class performance)

Asset Class	Short-Term (rolling 12-month periods) Tracking Error > For 6 consecutive months	Medium-Term (rolling 36-month periods) Tracking Error > For 6 consecutive months	Long-Term (rolling 60-month periods) Fd annlzd return < bench annlzd return For 6 consecutive months
International Equity ²	1.00%	0.75%	-0.50%
Fixed Income	0.70%	0.60%	-0.50%
High Yield	0.75%	0.65%	-0.55%

¹ The T-C Life Funding Agreements are measured against a set of non-investment performance criteria (see above) in a published TIAA-CREF report every quarter.

² Nuveen utilizes "fair market value" adjustment procedures for the Nuveen ESG Emerging Markets Equity ETF (the ETF). This adjustment increases or decreases the ETF's actual closing price to compensate for pricing differences between international markets. This procedure can create an artificially high tracking error. Monitoring of the ETF takes this into account and corrects for it where data is available.

Investment Status Schedule

Performance Category ¹	Actively Managed Portfolios	Passively Managed Portfolios
Positive	→ Performance exceeds the benchmark.	→ Performance exceeds the benchmark (first 1-12 month period), or → Tracking error is within the allowable range ¹ (short, medium, and long time periods).
Acceptable	→ Performance meets or is under the benchmark and is within the allowable range.	→ Performance does not exceed the benchmark but is within the allowable range (first 1-12 month period only).
Caution	→ Performance is below allowable range but either: i) for less than six consecutive months, or ii) the Board has not taken (or decided not to take) a formal action to place the asset class or individual fund portfolio on Watch even though performance has been below allowable range for six months or longer.	→ Tracking error falls outside of the allowable range but either i) for less than six consecutive months, or ii) the Board has not voted to place the asset class or stand alone fund on Watch
Watch ²	→ Performance is below allowable range for more than six consecutive months and the Board has formally voted to place the asset class or individual fund on Watch.	→ Tracking error falls outside of the allowable range for more than six consecutive months and the Board has formally voted to place the asset class or individual fund portfolio on Watch.

¹ Ranges are shown in the Investment Performance Criteria Schedules.

² The amount of time generally required before an investment is put on watch.

Disclaimer

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD-LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM," "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

MEMORANDUM

TO: Scholarshare Investment Board (“SIB”)
FROM: Kay Ceserani, Meketa Investment Group (“Meketa”)
DATE: April 16, 2024
RE: Monitoring Procedures and Criteria Recommendation

Summary

Over the course of the last 12-15 months, Meketa has reevaluated the methodology we use for monitoring Underlying Investments (mutual funds) utilized within the Scholarshare 529 College Savings Plan (“the Plan”). The goal of this review was to identify approaches to manager monitoring that are considered best practice and were supported by empirical evidence.

Our analysis focused on the factors used to monitor the Underlying Investments and the method in which fund statuses (or ratings) are assigned.

Based on our findings, we are proposing some changes to the framework for monitoring the Underlying Investments to keep the Monitoring Procedures and Criteria (the “Monitoring Procedures”) up to date with our current best thinking.

During the last half of calendar year 2023, Meketa also shifted to a new performance monitoring platform with additional capabilities, which allows us the ability to more efficiently conduct our quantitative review of the Underlying Investments utilized in the Plan as it would be fully automated. We also note, moving to this enhanced monitoring framework will create consistency across Meketa’s 529 client base and provide more accurate comparisons from an industry perspective.

Recommendation

As a result, we are suggesting the SIB move to a process that provides a more complete picture of a fund’s success or failure by implementing the following changes.

Active Funds

- Benchmark and peer relative results treated independently
- Reduce allowable performance threshold for benchmark underperformance to zero
- Extend allowable time period to be below benchmark threshold hold from 6 to 9 months
- Establish 12-month allowable time period to be below median for peer relative thresholds

Passive Funds

- Primarily focusing on qualitative factors
- Review performance for consistency

We have updated SIB’s Monitoring Procedures to reflect these proposed revisions in the event the Board moves to adopt them.

The following table highlights the material changes to the evaluation process.

Criteria for Active Funds	Current	Proposed
# of Criteria	3	4
Benchmark Relative Comparison	Yes	Yes
Performance Thresholds (allowable underperformance)		
Short- and Medium-Term	-0.5% to -6.5%	0.0%
Long-Term (VRR ¹)	0.96 to 0.98	N/A
# of Consecutive Months to Fail	6	9
Peer Relative Criteria	No	Yes, Above Median
# of Consecutive Months to Fail	--	12
Overall Rating	Positive, Acceptable, or Caution, and/or Watch	Pass or Fail
Overall Status Assignment	Watch = Fail 6 consecutive months	Fail = Fail 2 or more criteria results in Watch status

Criteria for Passive Funds	Current	Proposed
# of Criteria	2	N/A
Tracking Error	Yes	No
Maximum Tracking Error		
Short- and Medium Term	0.25% to 0.75%	--
# of Consecutive Months to Fail	6	--
Benchmark Relative Comparison	Yes	No
Long-Term (Rolling 5 Year annualized returns)	-0.30% to -0.35%	--
# of Consecutive Months to Fail	6	--
Benchmark Relative Comparison within Expectations	No	Yes
Considering fees and operational circumstances (e.g., fair value pricing and sampling portfolio construction methodology)	No	Yes
Qualitative Factors	Yes	Yes
Overall Rating	Positive, Acceptable, or Caution, and/or Watch	Pass or Fail
Overall Status Assignment	Watch = Fail 6 consecutive months	Fail = Fail either performance or qualitative criteria results in Watch status

¹ VRR – Value Relative Ratio – is calculated as: fund cumulative return / benchmark cumulative return.

Discussion

Our analysis began by reviewing academic and practitioner literature related to the continuous monitoring of actively and passively managed investment managers. What we found is there is an abundance of information on manager performance and selection, but far less on the best way to monitor a manager once engaged. While all agree monitoring should consider both quantitative (performance) and qualitative (non-performance) components there wasn't a consensus on the specific parameters or factors that should be utilized. However, most strive to balance the need for mechanical (or formulaic) procedures with the understanding that funds underperforming for multi-periods (several quarters or years) happens routinely.

Key takeaways included:

Quantitative	Qualitative
<ul style="list-style-type: none"> → Performance relative to benchmarks (or indexes) → Performance relative to peers with similar strategies 	<ul style="list-style-type: none"> → Consistency in investment process and philosophy → Personnel experience and stability → Ownership structure → Regulatory action

While ScholarShare's current monitoring processes are consistent with our findings, we do believe there are improvement opportunities.

Currently underlying funds are monitored both on a quantitative and qualitative basis. The quantitative review focuses on benchmark relative results for actively managed funds and tracking error for passively managed funds on short-, medium- and long-term time periods. In both cases predetermined acceptable levels of underperformance or tracking error are allowed.

These results are then used as inputs to assign an overall monitoring status each quarter (positive, acceptable, caution or Watch). The status assignment process can be somewhat confusing as it involves separate ratings for each period of review based on the best monthly result during the quarter, with the overall status reflecting the worst of the three periods (short-, medium and long-term) reviewed.

Under the proposed guidelines monitoring would still be done on a quantitative and qualitative basis. However, going forward we are recommending a higher standard by changing the underperformance thresholds to zero for the benchmark relative performance criteria and the addition of peer rankings as a component in the evaluation process for actively managed funds. As for passively managed funds, we recommend removing the tracking error thresholds as operational circumstances beyond the control of the funds can result in the fund falling out of the tolerance level. Rather than a static threshold, we recommend primarily assessing passive funds on qualitative factors, while also monitoring the funds' ability to track their respective indices in context of performance and structure.

We favor eliminating the performance thresholds as there are a multitude of reasons for underperformance and the magnitude associated with each varies. Additionally, under the current monitoring process, there is the potential for funds lingering in the acceptable range for an unspecified period of time, which would not trigger a deeper review.

A fund's comparative standings (or rank) within an appropriate peer group provides perspective on relative performance versus funds with similar investment mandates as well as the impact of fees. They are also helpful to gauge the effectiveness of a fund's management team in times when absolute returns fall in the outer range of historical norms or the market is favoring one investment style over another (e.g., growth and value). Therefore, we believe peer rankings should be treated equally in the monitoring process as benchmark relative performance.

The overall rating assignment will consider all four (4) performance evaluation criteria (benchmark and peer evaluation on two time periods) as well as qualitative elements. An actively managed Underlying Investment will be assigned an overall Fail rating if it fails two (2) or more of the four (4) performance evaluation criteria and/or if there is a material qualitative issue. A passive Underlying Investment will be assigned a Fail rating if there is a material qualitative issue or if performance results are not within expectations. Examples of performance results outside of expectations would include returns deviating from the index performance beyond what is expected in consideration of operational circumstances and fees. Underlying Investments with an overall investment rating of Fail will qualify for Watch status.

A summary of the proposed evaluation criteria and rating assignment process is provided on the following page.

Underlying Investment Rating Schedule

Performance Evaluation Criteria	
Types of Strategies	Active strategies
Factors	Annualized performance versus benchmark and peer relative results
Frequency of Review	Quarterly
Time Periods Reviewed	Rolling 1-Year Rolling 3-Year
Benchmark Relative Returns	Pass = above benchmark or below benchmark for < 9 consecutive months
	Fail = below benchmark for 9 or more consecutive months
Peer Rankings	Pass = Above median or below median for < 12 consecutive months
	Fail = Below Median for 12 or more consecutive months
Peer Universe Data Source	Morningstar
Overall Rating	Pass = Passing result for at least 3 of 4 criteria
	Fail = Failing result for 2 or more out of 4 criteria results in Watch status
Qualitative Evaluation Criteria	
Types of Strategies	Passive and active strategies
Factors	Non-performance issues
Frequency of Review	On-going
People (Investment Team)	Departure of one or more key decision makers in process without appropriate succession planning
Process	Material change in investment guidelines, buy/sell disciplines, quantitative models and/or portfolio construction process
Philosophy	Significant deviation from stated investment style or philosophy
Organization Structure	Change in ownership that may affect firm/team culture and/or be a distraction to the investment process
Litigation	Material litigation underway that may impact the manager and/or fund
Overall Rating	Failing any one of these events could trigger a recommendation to place a fund on Watch status



Evaluating the active funds in the Program using the proposed criteria as of December 31, 2023, resulted in two Underlying Investments qualifying for Watch, the TIAA-CREF Social Choice and T Rowe Price Large Cap Value funds. We note, the only fund that is currently on Watch, the T Rowe Price Large Cap Growth fund, would no longer qualify under the proposed monitoring criteria.

Manager Scorecard

Fund	Short-Term Return	Short-Term Peer Rank	Medium-Term Return	Medium-Term Peer Rank	Overall Status
TIAA-CREF Social Choice Equity	Fail	Pass	Fail	Pass	Fail
T Rowe Price Large Cap Value	Fail	Fail	Pass	Pass	Fail
T Rowe Price Large Cap Growth*	Pass	Pass	Fail	Pass	Pass

*Fund currently on Watch

Current Monitoring Guidelines

Table 1a: Actively Managed Funds
(Based on net-of-fee asset class performance)

Asset Class	Short-Term (rolling 12-month periods)	Medium-term (rolling 36-month periods)	Long-term (> 60 months)
	Fund return < bench return for 6 consecutive months	Fund return < bench return for 6 consecutive months	VRR< for 6 consecutive months
Domestic Equity	-3.5%	-1.75%	0.97
International Equity	-4.5	-2.0%	0.97
Fixed Income	-1.0%	-0.5%	0.98
High Yield	-6.5%	-3.25%	0.96

1st 1-12 month performance criteria is not annualized; all other criteria is on an annualized basis.
Annualized return is the average annual return of either the fund or its benchmark.
VRR – Value Relative Ratio – is calculated as: fund cumulative return / benchmark cumulative return.

Proposed Monitoring Guidelines

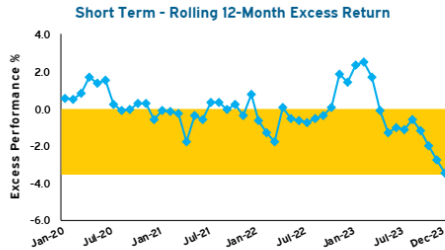
Table 1a: Actively Managed Funds
(Based on net-of-fee asset class performance)

Asset Class	Short-Term (rolling 12-month periods)	Short-Term (rolling 12-month periods)	Medium-term (rolling 36-month periods)	Medium-term (rolling 36-month periods)
All asset classes	Fund relative to benchmark return < 0.0% for 9 consecutive months	Fund rank < Median for 12 consecutive months	Fund relative to benchmark return < 0.0% for 9 consecutive months	Fund rank < Median for 12 consecutive months

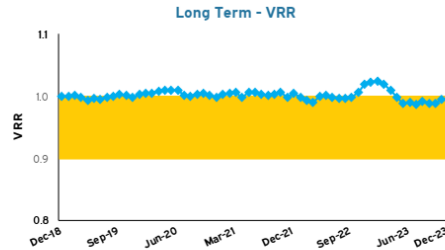
Current Monitoring Guidelines

ScholarShare Investment Board of California

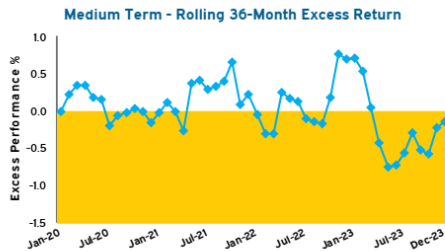
TIAA-CREF Social Choice Equity I | As of December 31, 2023



Results fall in the acceptable range.
Probationary Threshold - 5.00%



Results fall in the acceptable range.
Probationary Threshold 0.90%



Results fall in the acceptable range.
Probationary Threshold - 2.50%

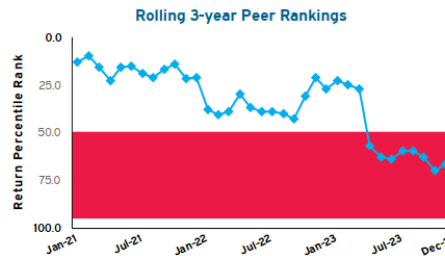
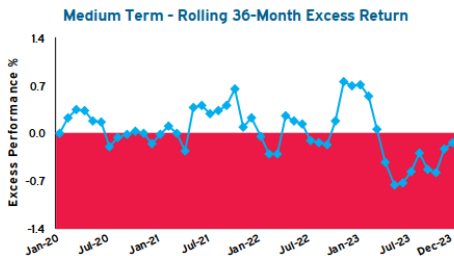
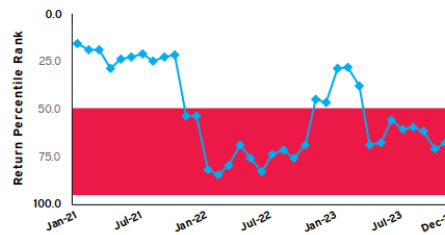
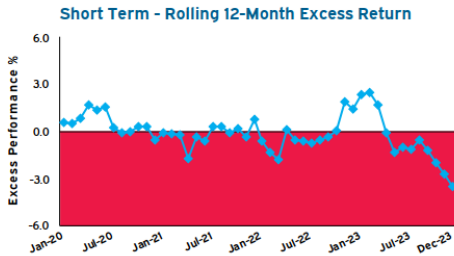
Portfolio Performance Summary						
	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Since Inception	Inception Date
TIAA-CREF Social Choice Equity I	12.7 (14)	22.5 (64)	8.4 (67)	15.1 (38)	12.8 (27)	1/1/2016
Russell 3000 Index	12.1 (29)	26.0 (32)	8.5 (62)	15.2 (33)	12.8 (26)	
Large Blend Median	11.6	24.4	9.0	14.5	12.1	

Monitoring Status
Acceptable

Proposed Monitoring Guidelines

ScholarShare Investment Board of California

TIAA-CREF Social Choice Equity I | As of December 31, 2023





WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD - LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM," "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

ATTACHMENT

**Golden State ScholarShare College Savings Trust
Monitoring Procedures and Criteria**

Effective as of ~~March 23, 2023~~ April 16, 2024

(Adopted by the ScholarShare Investment Board on ~~March 23, 2023~~ April 16, 2024)

Golden State ScholarShare College Savings Trust Monitoring Procedures and Criteria

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I. BACKGROUND

In 1996, Congress passed legislation establishing Internal Revenue Code Section 529 plans (college savings or 529 plans) to provide a tax-advantaged means to invest assets for higher educational purposes. California's program, the ScholarShare 529 College Savings Plan (ScholarShare 529 or Plan) was created in 1999 as a vehicle for California families¹ to save for college. Under federal law, participants in 529 plans cannot directly control investments, instead investments are held in state trusts.

As the administrator of the Plan, the ScholarShare Investment Board (SIB or the Board) directs investment and has a fiduciary responsibility for the assets invested by ScholarShare 529 Participants. SIB's fiduciary duties require that it:

- set appropriate investment policies and procedures,
- monitor investment performance and investment related qualitative factors, such as changes in the Program Manager's investment strategy or key investment personnel, and
- take corrective actions, if necessary.

Specifically, these monitoring procedures enable SIB to monitor performance and help it achieve consistent long-term investment success for ScholarShare 529 Participants. In addition, it provides SIB with a road map for action if it is not satisfied with specific aspects of a fund's activities and/or investment performance.

ScholarShare 529 Plan Investment Structure

ScholarShare 529 offers a plan sold directly to the public. Participants in the Plan choose from passive investment portfolios, active investment portfolios, and Environmental, Social and Governance (ESG) investment portfolios.

The portfolios in the Plan were designed by SIB to give families a selection of investment choices based on their educational savings needs and risk tolerance. Investment portfolios are comprised of one or more federally registered mutual funds with the exception of the funding agreements with TIAA-CREF Life Insurance Company (T-C Life). The funding agreements with T-C Life (Funding Agreements) are used as a part of the Plan's active, passive, and ESG enrollment year portfolios, as well as the conservative portfolios, and Principal Plus Interest Portfolio. All of the portfolios, their investment objectives, their mutual fund make up, and a list of mutual funds and their corresponding benchmarks, are outlined in the ScholarShare Investment Policy separate document.

¹ All United States citizens may open accounts, not just those who reside in California

II. MONITORING PROCEDURES

The SIB's monitoring procedures are designed to provide qualitative and quantitative information to the Board on investment performance to aid it in making the best decisions on behalf of Trust participants. Specifically, the procedures outline what will be monitored, how it will be monitored, and when it will be monitored; what is acceptable and unacceptable performance; and how underperformance may be addressed.

The Plan will be monitored both at the Investment Portfolio and at the Underlying Investment level. Benchmarks for the Investment Portfolios will be derived from the Underlying Investments each option is comprised of, where an asset-weight composite benchmark is used for comparison purposes if the Investment Portfolio holds more than one fund.

The following Monitoring Procedures primarily focus on providing performance standards (criteria) to monitor the Underlying Investments which are the building blocks of the Investment Portfolios, providing the Board with a mechanism for corrective action.

There are two major groups of monitoring activities: Ongoing Monitoring and Periodic Monitoring.

Ongoing Monitoring Activities

Ongoing monitoring activities primarily focus on quantitative factors, including, include measurement and assessment of investment performance and related investment activities, but also consider qualitative aspects of the managers' practices. The differences in the structures for individual fund portfolios and multi-fund portfolios require different monitoring procedures as outlined below. Both the SIB's Program Manager and SIB's independent Investment Consultant will provide monitoring reports.

Portfolio Construction

Individual Fund Portfolios Investment Performance

~~Performance of each individual fund portfolio (each portfolio is made up of a single fund) is monitored relative to its benchmarks for a specific time period. Monitoring criteria can be found in Section V., the Investment Performance Criteria Schedules.~~

Multi-Fund Portfolios (Enrollment Year, Static, etc.) Investment Performance

~~Performance monitoring of portfolios in the Plan containing multiple funds will occur at the underlying fund level. Each underlying fund will have its performance compared to its primary prospectus benchmark. Specific monitoring criteria for each underlying fund can be found in Section V., the Investment Performance Criteria Schedules.~~

Quarterly Investment Performance Review by Program Manager

As part of the ongoing reporting process, the Program Manager will report calendar quarter and trailing annualized performance of the ~~funds~~Plan's portfolios and Underlying Investments to the SIB staff (Staff) and the Investment Consultant on a quarterly basis.

The Program Manager will also provide to the Staff quarterly performance reports for each portfolio and Underlying Investments used by the Trust and each fund against its respective benchmark. In addition, the Program Manager is responsible for providing: i) an explanation of investment activities that caused under- or outperformance each quarter, ii) any major changes in investment related to personnel, organization and/or investment approach/strategy, and iii) any other reporting as required by law.

Quarterly Investment Performance Evaluation by Independent Investment Consultant

Underlying Investments

Using monthly data provided by Morningstar, the Investment Consultant will provide a quarterly report for the Board comparing each ~~underlying~~Underlying Investment fund with its

respective benchmark according to the investment performance criteria found in the Section V., ~~the Investment Performance Criteria Schedules.²~~ as well as highlight any qualitative concerns. The quarterly monitoring report compares each underlying fund to a benchmark (see ScholarShare Investment Policy for funds and their benchmarks).

Performance for each ~~underlying fund actively managed~~ Underlying Investment shall be is then categorized rated as Positive, Acceptable, or Caution ~~Pass or Fail~~ using the criteria listed in the Underlying Investment Status-Rating Schedule. ~~A fund may also be listed in the Watch category after being approved for Watch status by the Board.~~ Funds with an overall rating of Fail qualify for Watch status.

Quarterly Monitoring of the T-C Life Funding Agreements (Active, Passive, and ESG Enrollment Year and Conservative Portfolios and the Principal Plus Interest Portfolio)

In addition to the quarterly investment performance evaluation, the Investment Consultant will include a summary of the health of the T-C Life General Account (General Account). Monitoring of the T-C Life Funding Agreements is based on the financial strength of the General Account, and not investment performance results relative to a stated benchmark. The Investment Consultant will gather information provided by T-C Life of the characteristics of the General Account in order to assess the firm's claims-paying abilities. Analysis of the information provided by T-C Life is subject to its availability, and may be lagged by one quarter. This review is based on the following:

- General Account Financial Strength Rating by the four rating agencies: Moody's Investors Service, Standard & Poor's, A.M. Best, and Fitch.
- Status of the Mortgage Portfolio: In Good Standing, In Good Standing with Restructured Terms, 90 days Overdue, or Foreclosure in Process.
- Bond Portfolio Grade: Investment Grade, Medium Grade, and High Yield.
- Account Diversification: Diversified across asset classes.

The Investment Consultant will monitor changes to any of the categories listed above. Should these changes be deemed significant, the Investment Consultant will provide the SIB with a memo detailing its findings and applying an investment status of Positive, Acceptable, Caution, and if approved Watch ~~Pass or Fail~~.

Periodic Monitoring Activities

As part of its ongoing fiduciary responsibilities, the SIB and Investment Consultant should regularly (annually or more often if needed) review several qualitative aspects of the Program Manager's practices and Underlying Investment funds. Key factors include, but are not limited to, a review of:

- Fund investment guidelines to ensure they are consistent with the SIB's mandate for the fund.
- Fund investment strategy and style, especially the buy/sell disciplines.
- Portfolio activity and structure, (e.g., specifically the turnover rate, number of holdings, and execution costs ~~sector weights~~).
- Risk profile relative to the fund's benchmark.
- Organizational structure.
- Legal and/or regulatory issues
- Stability of fund personnel and organization.
- Contractual obligations to the SIB.
- Multi-fund portfolios against an appropriate custom asset-weighted benchmark.
- Efficacy of active versus passive management in the enrollment date portfolios.

² ~~Performance numbers are net of underlying mutual fund fees (not net of the SIB Administrative Fee or Program Manager Fee).~~

III. INVESTMENT STATUS

The quarterly investment reports provided by the Investment Consultant will rate all each underlying funds Underlying Investment as Positive, Acceptable, Caution-Pass or Fail as detailed in the following table. or Watch (see Investment Status Schedule). These ratings will serve to summarize performance for each fund. Underlying Investments falling below these performance standards and/or qualitative criteria will qualify for Watch status.

Investment Status ScheduleUnderlying Investment Rating Schedule

	<u>Performance Evaluation Criteria</u>
<u>Types of Strategies</u>	<u>Active strategies</u>
<u>Factors</u>	<u>Annualized performance versus benchmark and peer relative results</u>
<u>Frequency of Review</u>	<u>Quarterly</u>
<u>Time Periods Reviewed</u>	<u>Rolling 1-Year Rolling 3-Year</u>
<u>Benchmark Relative Returns</u>	<u>Pass = above benchmark or below benchmark for < 9 consecutive months</u>
	<u>Fail = below benchmark for 9 or more consecutive months</u>
<u>Peer Rankings</u>	<u>Pass = Above median or below median for < 12 consecutive months</u>
	<u>Fail = Below median for 12 or more consecutive months</u>
<u>Peer Universe Data Source</u>	<u>Morningstar</u>
<u>Overall Rating</u>	<u>Pass = Passing result for at least 3 of 4 criteria</u>
	<u>Fail = Failing result for 2 or more out of 4 criteria results in Watch status</u>
	<u>Qualitative Evaluation Criteria</u>
<u>Types of Strategies</u>	<u>Passive and active strategies</u>
<u>Factors</u>	<u>Non-performance issues</u>
<u>Frequency of Review</u>	<u>On-going</u>
<u>People (Investment Team)</u>	<u>Departure of one or more key decision makers in process without appropriate succession planning</u>
<u>Process</u>	<u>Material change in investment guidelines, buy/sell disciplines, quantitative models and/or portfolio construction process</u>
<u>Philosophy</u>	<u>Significant deviation from stated investment style or philosophy</u>
<u>Organization Structure</u>	<u>Change in ownership that may affect firm/team culture and/or be a distraction to the investment process</u>
<u>Litigation</u>	<u>Material litigation underway that may impact the manager and/or fund</u>

<u>Overall Rating</u>		<u>Failing any one of these events could trigger a recommendation to place an Underlying Investment on Watch status</u>	
Performance Category	Active Funds	Passive Funds	
Positive	<ul style="list-style-type: none"> Performance exceeds the benchmark 	<ul style="list-style-type: none"> Performance exceeds the benchmark (first 1-12 month period), or Tracking error is within the allowable range³ (short, medium and long time periods) 	
Acceptable	<ul style="list-style-type: none"> Performance meets or is under the benchmark and is within the allowable range 	<ul style="list-style-type: none"> Performance does not exceed the benchmark but is within the allowable range (first 1-12 month period only) 	
Caution	<ul style="list-style-type: none"> Performance is below allowable range but either: <ol style="list-style-type: none"> for less than six consecutive months⁴, the Board has not taken (or decided not to take) a formal action to place the underlying fund on Watch even though performance has been below allowable range for six months or longer. 	<ul style="list-style-type: none"> Tracking error falls outside of the allowable range but either <ol style="list-style-type: none"> for less than six consecutive months, or the Board has not voted to place the underlying fund on Watch 	
Watch ⁴	<ul style="list-style-type: none"> Performance is below allowable range for more than six consecutive months and the Board has formally voted to place the underlying fund on Watch. 	<ul style="list-style-type: none"> Tracking error falls outside of the allowable range for more than six consecutive months and the Board has formally voted to place the underlying fund on Watch. 	

Note: This chart addresses investment performance only. It is conceivable that the Investment Consultant, Staff and the Board may need to take into consideration qualitative factors (either positive or negative) when determining the status of a fund. Monitoring criteria and ranges shall be reviewed on an ad hoc basis to confirm their appropriateness based on prevailing market dynamics and conditions.

If an underlying fund meets the criteria in the Investment Status Schedule for Caution, SIB may choose to place the underlying fund on Watch if performance does not improve. At a subsequent SIB meeting, the Investment Consultant and Staff will apprise the Board as to whether quantitative (see Section V., the Investment Performance Criteria Schedules) and/or qualitative conditions (as determined by the Investment Consultant which may include changes in investment strategy, changes in key personnel, changes in risk/capital market exposure or other risks identified by the Investment Consultant) warrant further action. If conditions are not improving, the Investment Consultant will provide a memo explaining the causes of underperformance and will make a recommendation whether or not to put the underlying fund on Watch.

³ Ranges are shown in the Investment Performance Criteria Schedules

⁴ The amount of time generally required before an underlying fund is put on Watch

Overview of Rating Assignment

An Underlying Investment's quarterly rating shall be evaluated based on short-term (rolling 12-month) and medium-term (rolling 36-month) performance results versus its benchmark and peer group⁵. An actively managed Underlying Investment will be assigned an overall Fail rating if it fails two (2) or more of the four (4) performance evaluation criteria and/or if there is a material qualitative issue. A passive Underlying Investment will be assigned a Fail rating if there is a material qualitative issue. Underlying Investments with an overall investment rating of Fail will qualify for Watch status.

Quarterly status is primarily driven by formulaic criteria centered on the measurement and assessment of investment performance versus a benchmark and peer group. Underlying Investments, however, may qualify for Fail status due to qualitative aspects of an Underlying Investment's management and practices. For example, style drift, organizational issues, and portfolio management turnover.

Watch Status - Underlying Investment Monitoring

The Investment Consultant shall provide a report to the Board detailing those Underlying Investments that have i) exhibited a clear path of declining performance results, as defined in the Underlying Investment Rating Schedule and qualifying for Watch status or ii) have experienced qualitative changes warranting Watch status as discussed in Section II. Based upon the recommendation and advice of the Investment Consultant, the Board shall make a determination whether or not to place the Underlying Investments on Watch status.

Once on Watch status, the Underlying Investment shall be monitored quarterly by the Investment Consultant. In addition, the Program Manager shall provide a quarterly report, based on publicly available information, explaining causes of underperformance or improvement. This heightened level of monitoring continues during the Watch status period until either the Underlying Investment is released from Watch status or corrective measures are taken as detailed in Section IV.

Underlying Investments on Watch status should exhibit improvement within 12 to 18 months. The Investment Consultant may recommend action sooner or later than 12 to 18 months. In either case, the Investment Consultant shall report to the Board on the recommended action and the reasons supporting such action. The Program Manager shall, upon request, provide the Investment Consultant with a list of possible replacement Underlying Investments.

Watch Status

~~Once the Board receives the report and recommendation, it may decide to take no action or it may vote to place the underlying fund on Watch. In making this decision, the Board may use quantitative or qualitative information or a combination of both. Once on Watch, the underlying fund will receive heightened monitoring. Specifically, the Program Manager will provide a quarterly report explaining causes of underperformance or improvement. Additionally, the Investment Consultant and Staff will monitor the underlying fund carefully and provide additional reports as necessary. This heightened level of monitoring continues quarter by quarter until the Board releases the underlying fund from Watch or takes other corrective actions.~~

~~Generally, once an underlying fund is placed on Watch, it should be able to exhibit improvement within a time frame of 12 to 18 months. However, extenuating circumstances may require the Board to take action sooner (or later) than 12 to 18 months. Regardless, an underlying fund will remain on Watch until the Board votes to release it or take further action.~~

⁵ Peer groups are assigned based on Morningstar classification.

Improvement Occurs – Release from Watch

If an ~~underlying fund~~ Underlying Investment shows indications of improvement in one or more of the factors that caused it to be placed on Watch, it may be released from Watch. Examples of improvements warranting a change in status are:

- Improved investment performance.
- Investment style and/or risk characteristics return to, and remain at, levels originally agreed upon.
- Other non-performance factors such as organizational structure stabilizes, personnel adjustments, compliance requirements, etc. are met/satisfied.

The Investment Consultant and Staff will provide regular reports to the Board on any ~~underlying fund~~ Underlying Investment on Watch. These reports will highlight the original reasons for placing the ~~underlying fund~~ Underlying Investment on Watch and discuss how these issues have been addressed. If the Underlying Investment no longer qualifies for Watch or sufficient improvement occurs in an appropriate amount of time (generally 12 to 18 months) the Investment Consultant may make a recommendation to the Board to release the ~~underlying fund~~ Underlying Investment from Watch, and the Board may vote to approve this recommendation or not.

TIAA-CREF Life Insurance Company Funding Agreements

Applying an investment status to the T-C Life Funding Agreements is based on different criteria than those applied to underlying funds. Given that the monitoring of the T-C Life Funding Agreements is based on non-performance related issues, different criteria must apply to measure improvement during Watch. If Caution or Watch applies, the Investment Consultant will provide regular updates to the Staff until such time that improvement is noted (typically a 12 to 18 month period) in the characteristics that caused the T-C Life Funding Agreements to be placed on Caution or Watch.

IV. CORRECTIVE MEASURES

Improvement Does Not Occur – Corrective Measures

If an ~~underlying fund-Underlying Investment~~ is not released from Watch within an appropriate period (generally 12 to 18 months), ~~corrective action may be necessary. Differences in structural make-up between the individual fund portfolios and the multi-fund portfolios means that corrective action will take different forms as explained below. The Board in concert with the Investment Consultant may recommend to the Program Manager that some form of corrective action should be taken subject to the terms of any formal agreement between the Board and Program Manager.~~

Individual and Multi-Fund Portfolios

If the quantitative and/or qualitative performance of an ~~individual fund-Underlying Investment~~ or multi-fund portfolio does not improve, the Investment Consultant will conduct an analysis and provide the Board with options and a recommendation for action. Options include:

- Giving the fund more time,
- Closing it to new investment, or
- Replacing it (replacement specifics are outlined below).

For individual fund portfolios, the Board should take into consideration that Trust participants (and their advisors) have specifically chosen the ~~individual fund-Underlying Investment~~ (it is not just a part of the portfolio's asset allocation) and may want to give it ample time to improve or close it to new investment before considering replacing it. If the Board decides that funds must be replaced, either in an individual fund or multi-fund portfolio, the process is outlined below.

T-C Life Funding Agreements

If no improvement is seen in the characteristics of the T-C Life Funding Agreements related to those characteristics that caused Caution or Watch status, the Investment Consultant may recommend that the SIB replace the T-C Life Funding Agreements with other options. While it is recognized that replacing the T-C Life Funding Agreements may be difficult, the Investment Consultant and Staff will work to provide a solution that is feasible given the nature of the underlying funding agreement.

Fund Replacement

The SIB may replace funds on Watch as part of its fiduciary responsibility to monitor and take corrective action if required. The Investment Consultant will provide a memo on whether fund replacement should be considered and if so which funds may be suitable replacements⁶. The "Standard Timeframe" below shall be followed for funds currently on Watch, except when immediate action is necessary as provided under "Expedited Timeframe" below.

Standard Timeframe - Funds Currently on Watch

If fund replacement is necessary for funds currently on Watch, SIB may consider funds that are offered by the Program Manager or an affiliated entity that are appropriate substitutes for the current fund(s). The Investment Consultant may also recommend that the SIB consider having:

- the Program Manager subcontract with an affiliated or non-affiliated entity to provide fund management services, subject to SIB approval; or
- the issuance of a Request For Proposals for fund management services by a third-party provider not affiliated with the Program Manager.

⁶ As stated above, SIB may want to act cautiously when considering whether or not to replace an ~~Underlying Investment-fund~~ that is the only fund ~~held~~ in an individual fund portfolio since participants ~~(and their advisors)~~ have specifically chosen it.

The Program Manager will work collaboratively with the Investment Consultant to provide the Board with one or more recommended replacement funds, which may include funds offered by the Program Manager or funds offered by an alternative fund manager. The Investment Consultant will also provide the Board with a memo expressing its opinion of the Program Manager's recommendation.

For individual fund portfolios, if the Board determines that a fund warrants replacement, the Board should consider closing the individual fund portfolio to new investments and notify participants (and their advisors) of the planned action prior to implementation. Sufficient time (two to four months) between announcement and implementation should exist in order to allow participants sufficient time to assess the planned change and determine whether to participate in the change or move the assets to a substitute investment. This process enables the Board to exercise its fiduciary duties and still allow participants (and advisors) the ability to move their assets where they deem most appropriate.

For multi-fund portfolios, if the Board determines that a fund warrants replacement, it should work with the Program Manager on a case-by-case basis to consider removal of the fund from the portfolio's fund allocation. A new investment in a multi-fund portfolio must have more competitive performance characteristics than the fund that is being replaced while also maintaining (or enhancing) the integrity and expected results of the asset allocation processes used to construct the portfolio.

All of the above actions require Board approval.

Any new investments shall be closely monitored for an appropriate period of time as determined by the Investment Consultant and may be recommended for placement on Watch for further monitoring.

Expedited Timeframe - Funds Currently on Watch Requiring Immediate Action

In the event of unusual or precarious market movements or unforeseen circumstances (such as wholesale change in fund management, rapid deterioration in performance or portfolio composition, material unforeseen factors, etc.) where immediate fund replacement or corrective action may be necessary, as determined by the Investment Consultant, the Board may replace a fund or take corrective action. To expedite the process, SIB should first consider funds that are offered by the Program Manager or an affiliated entity that are appropriate substitutes for the current fund(s). If an appropriate substitute cannot be found from the Program Manager's or affiliated entity's existing fund offerings, then the Investment Consultant may recommend that the SIB consider having:

- the Program Manager subcontract with an affiliated or non-affiliated entity to provide fund management services, subject to SIB approval; or
- the issuance of a Request For Proposals for fund management services by a third-party provider not affiliated with the Program Manager.

If the Board determines that a fund must be removed, the Board should work with the Program Manager to consider removal of the fund from the portfolio's fund allocation. A new investment in a portfolio must maintain or enhance the integrity and expected results of the asset allocation processes used to construct the portfolio while removing the idiosyncratic risk of the fund being replaced.

All of the above actions require Board approval and the Board may delegate by formal action its authority to the Executive Director of SIB or the Chair of SIB, who may authorize a designee to act in its stead.

Any new investments shall be closely monitored for an appropriate period of time as determined by the Investment Consultant and may be recommended for placement on Watch for further monitoring.

As part of the review process, a full screening of the fund universe should be conducted by the Program Manager, in collaboration with the Investment Consultant, in which the Program Manager will provide the Board with one or more recommended alternative funds, which may include funds

managed by an alternative fund manager in addition to funds offered by the Program Manager. The Investment Consultant will also provide the Board with a memo expressing its opinion of the Program Manager's recommendation. The Board may elect to remain invested in the Program Manager fund or move the assets to one of the alternative funds.

Overall Assessment of Program Manager's Investment Services

The SIB may determine that the Program Manager's overall investment services are unsatisfactory due to either quantitative reasons (sustained poor performance at the asset class and/or fund level) or qualitative reasons (See Definitions of Important Terms). General guidelines regarding the Program Manager's overall investment performance are outlined in Section 6 of Exhibit E to the existing contract between SIB and the Program Manager (Agreement No. SIB 05-21).

V. INVESTMENT PERFORMANCE CRITERIA SCHEDULES

Table 1a: Actively Managed Funds
(Based on net-of-fee asset class performance)

Asset Class	Short-Term (rolling 12-month periods)	Medium-term (rolling 36-month periods)	Long-term (> 60-months)
Domestic Equity	Fund return < bench return -3.5% for 6 consecutive months	Fund return < bench return -1.75% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
International Equity	Fund return < bench return -4.5% for 6 consecutive months	Fund return < bench return -2.0% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Fixed Income	Fund return < bench return -1.0% for 6 consecutive months	Fund return < bench return -0.5% for 6 consecutive months	VRR < 0.98 for 6 consecutive months
High Yield	Fund return < bench return -6.5% for 6 consecutive months	Fund return < bench return -3.25% for 6 consecutive months	VRR < 0.96 for 6 consecutive months

^{1st} 1-12 month performance criteria is not annualized; all other criteria is on an annualized basis.
Annualized return is the average annual return of either the fund or its benchmark.
VRR – Value Relative Ratio – is calculated as: fund cumulative return / benchmark cumulative return.

Asset Class	Short-Term (rolling 12-month periods)	Short-Term (rolling 12-month periods)	Medium-term (rolling 36-month periods)	Medium-term (rolling 36-month periods)
All asset classes	Fund relative to benchmark return < 0.0% for 9 consecutive months	Fund rank < Median for 12 consecutive months	Fund relative to benchmark return < 0.0% for 9 consecutive months	Fund rank < Median for 12 consecutive months

<u>Fund</u>	<u>Asset Class</u>	<u>Benchmark</u>
T. Rowe Price Instl LC Growth	Domestic Equity	Russell 1000 Growth TR USD
T. Rowe Price Instl LC Value	Domestic Equity	Russell 1000 Value TR USD
TIAA-CREF Nuveen Quant Small Cap Equity	Domestic Equity	Russell 2000 TR USD
DFA Large Cap International	International Equity	MSCI World Ex US NR USD
DFA Emerg Mkts Core Equity	International Equity	MSCI EM NR USD
PIMCO Real Return	Fixed Income	BBG US Trsy US TIPS TR USD
PIMCO Income Instl	Fixed Income	BBG US Agg Bond TR USD
MetWest Total Return	Fixed Income	BBG US Agg Bond TR USD
T. Rowe Price Instl Floating Rate	High Yield	S&P/LSTA Performing Loan TR
Vanguard High Yield	High Yield	BBG US Corporate High Yield

Table 1b: Passively Managed Funds
(Based on net-of-fee asset class performance)

Asset Class	Short-Term (rolling 12-month periods)	Medium-term (rolling 36-month periods)	Long-term (rolling 60-month periods)
Domestic Equity	Tracking Error > 0.30% for 6 consecutive months	Tracking Error > 0.25% for 6 consecutive months	Fd-annlzd return < bench-annlzd return -0.30% for 6 consecutive months
International Equity*	Tracking Error > 0.75% for 6 consecutive months	Tracking Error > 0.70% for 6 consecutive months	Fd-annlzd return < bench-annlzd return -0.30% for 6 consecutive months
Fixed Income	Tracking Error > 0.40% for 6 consecutive months	Tracking Error > 0.55% for 6 consecutive months	Fd-annlzd return < bench-annlzd return -0.35% for 6 consecutive months

1st 12-month performance criteria is not annualized; all other criteria is on an annualized basis.
Annualized return is the average annual return of either the fund or its benchmark.
VRP — Value Relative Ratio — is calculated as: fund cumulative return / benchmark cumulative return.

* TIAA-CREF utilizes “fair market value” adjustment procedures for the TIAA-CREF International Equity Index Fund and TIAA-CREF Emerging Markets Equity Index Fund (the Funds). This adjustment increases or decreases the Funds’ actual closing price to compensate for pricing differences between international markets. This procedure can create an artificially high tracking error. Monitoring of the Funds takes this into account and corrects for it where data is available. TIAA-CREF has chosen to implement certain socially responsible investment policies including divesting from companies with major operations in the Sudan. Divesting from companies within the tracking index will create some degree of tracking error. If such divestitures cause tracking error to exceed the monitoring criteria, it is TIAA-CREF’s responsibility to notify SIB and the investment consultant and to quantify the extent to which the divestitures added to tracking error.

<u>Fund</u>	<u>Asset Class</u>	<u>Benchmark</u>
TIAA-CREF-Nuveen Equity Index	Domestic Equity	Russell 3000 TR USD
TIAA-CREF-Nuveen S&P 500 Index	Domestic Equity	S&P 500 TR
TIAA-CREF-Nuveen Intl Equity Index	International Equity	MSCI EAFE NR USD
TIAA-CREF-Nuveen Emerg Mkts Eq Index	International Equity	MSCI EM NR USD
TIAA-CREF-Nuveen Bond Index	Fixed Income	BBG US Agg Bond TR USD
Vanguard Short Term Inflation-Protected	Fixed Income	BBG US TIPS 0-5 Year Index
Vanguard Real Estate Index	Real Estate	MSCI US Investable Market Real Estate 25/50

Table 1c: T-C Life Funding Agreements
(Based on non-investment performance criteria)

Fund Name	Financial Strength	Mortgage Portfolio	Bond Portfolio	Account Diversification
T-C Life Funding Agreement	Moody's = Aa2 Standard & Poor's = AA A.M. Best = A+ Fitch = AA	100% in Good Standing	At least 90% Investment Grade	Portfolio is diversified across asset classes and types

Monitor: T-C Life Funding Agreements

Table 1d: Social Choice Funds
(Based on net-of-fee asset class performance)

Asset Class	Short-Term (rolling 12-month periods)	Medium-term (rolling 36-month periods)	Long-term (> 60-months)	Morningstar Sustainability Rating
Social Choice	Fund return < bench return - 5.0% for 6 consecutive months	Fund return < bench return - 2.5% for 6 consecutive months	VRR < 0.90 for 6 consecutive months	Above Average

1st 12-month performance criteria is not annualized; all other criteria is on an annualized basis.
Annualized return is the average annual return of either the fund or its benchmark.
VRR — Value Relative Ratio — is calculated as: fund cumulative return / benchmark cumulative return.

Asset Class	Short-Term (rolling 12-month periods)	Short-Term (rolling 12-month periods)	Medium-term (rolling 36-month periods)	Medium-term (rolling 36-month periods)
All asset classes	Fund relative to benchmark return < 0.0% for 9 consecutive months	Fund rank < Median for 12 consecutive months	Fund relative to benchmark return < 0.0% for 9 consecutive months	Fund rank < Median for 12 consecutive months

Fund	Asset Class	Benchmark
<u>TIAA-CREF Social Choice</u>		
<u>Nuveen Large Cap Responsible Index</u> Equity	Domestic Equity	<u>Russell 3000-S&P 500</u> TR USD
<u>TIAA-CREF Social Choice</u>		
<u>Nuveen Responsible</u> Intl Equity	International Equity	MSCI EAFE Index

Table 1e: ESG Funds
(Based on net-of-fee asset class performance)

Asset Class	Short-Term (rolling 12-month periods)	Medium-term (rolling 36-month periods)	Long-term (rolling 60-month periods)
International Equity*	Tracking Error > 1.00% for 6 consecutive months	Tracking Error > 0.75% for 6 consecutive months	Fd annlzd return < bench annlzd return -0.50% for 6 consecutive months
Fixed Income	Tracking Error > 0.70% for 6 consecutive months	Tracking Error > 0.60% for 6 consecutive months	Fd annlzd return < bench annlzd return -0.50% for 6 consecutive months
High Yield	Tracking Error > 0.75% for 6 consecutive months	Tracking Error > 0.65% for 6 consecutive months	Fd annlzd return < bench annlzd return -0.55% for 6 consecutive months

1st 1-12 month performance criteria is not annualized; all other criteria is on an annualized basis.
Annualized return is the average annual return of either the fund or its benchmark.
VRR — Value Relative Ratio — is calculated as: fund cumulative return / benchmark cumulative return.

Asset Class	Short-Term (rolling 12-month periods)	Short-Term (rolling 12-month periods)	Medium-term (rolling 36-month periods)	Medium-term (rolling 36-month periods)
<u>All asset classes</u>	Fund relative to benchmark return < 0.0% for 9 consecutive months	Fund rank < Median for 12 consecutive months	Fund relative to benchmark return < 0.0% for 9 consecutive months	Fund rank < Median for 12 consecutive months

* Nuveen utilizes “fair market value” adjustment procedures for the Nuveen ESG Emerging Markets Equity ETF (the ETF). This adjustment increases or decreases the ETF’s actual closing price to compensate for pricing differences between international markets. This procedure can create an artificially high tracking error. Monitoring of the ETF takes this into account and corrects for it where data is available

<u>Fund</u>	<u>Asset Class</u>	<u>Benchmark</u>
Nuveen ESG Emerg Mkts Equity ETF	International Equity	TIAA ESG EM Equity Index
Nuveen ESG US Aggregate Bond ETF	Fixed Income	BBG MSCI US Agg ESG Select Index
Nuveen ESG High Yield Corp Bond ETF	High Yield	BBG MSCI US High Yield Very Liquid ESG Select Index

VI. DEFINITIONS OF IMPORTANT TERMS

A

Active Management – a money-management approach based on informed, independent investment judgment that seeks to add incremental value to that of a benchmark.

American Depositary Receipt (ADR) - a negotiable certificate issued by a U.S. bank representing a specific number of shares of a foreign stock traded on a U.S. stock exchange.

Annualized Performance – a measure that converts total cumulative performance into an annual average return. Industry practice is to compute the average annual return by compounding monthly return and then computing the geometric mean return.

Asset Allocation – the process of dividing investments among different kinds of assets, such as stocks, bonds, real estate, and cash, to optimize the risk/reward tradeoff based on an institution's specific situation and goals.

Asset Class – a type of investment, such as stocks, bonds, real estate, or cash, specifically:

- **Domestic Equity** - Ownership interests in U.S.-based corporations in the form of common stock or preferred stock. Domestic equity may include some limited exposure to real estate (REITs) and international stocks (ADRs) as listed on major U.S. stock market exchanges.
- **International Equity** - Ownership interests in non U.S.-based corporations in the form of common stock or preferred stock. International equity may include some limited exposure to global stocks (those involving more than one country, including the U.S.), emerging markets stocks, or other investment offerings as listed on major non-U.S. stock market exchanges.
- **Fixed Income** - Medium and long-term debt obligations of government, government sponsored entities, corporations, and/or other assets that pay a fixed dollar amount. Fixed income may include some limited exposure to structured and synthetic investments such as options and swaps.
- **High Yield** - A fixed income instrument that pays (yields) a higher rate of income (interest) than otherwise equivalent debt due to an increase in risk (such as a higher level of credit/default risk on a corporate bond). Generally, high yield bonds are considered to be those rated 'BB' or lower by one or more of the major rating agencies. High yield investments also include Leveraged Loans which pay a floating rate of interest and are senior to bonds in the capital structure.
- **Short Term** - A fixed income instrument that will expire within a relatively short time frame (often considered to be one year or less). Short Term bonds are highly conservative investments that can be liquidated quickly.

B

Bloomberg U.S. Aggregate Bond Index (BBG US Agg Bond TR USD)– an unmanaged index generally representative of the U.S. investment grade fixed income universe. The index includes treasury securities, government agency bonds, mortgage-backed bonds, corporate bonds, and a small amount of foreign bonds traded in U.S.

Bloomberg U.S. Corporate High Yield Index (BBG US Corporate High Yield) – an unmanaged, U.S. dollar– denominated, nonconvertible, non-investment-grade debt index. The index consists of domestic and corporate bonds rated Ba and below with a minimum outstanding amount of \$150 million.

Bloomberg U.S. TIPS Index (BBG US TIPS 0-5 Year Index) – an unmanaged index generally representative of the U.S. inflation-indexed fixed-income universe.

Bloomberg U.S. TIPS 0-5 Year Index (BBG US Trsy US TIPS TR USD)– an unmanaged index consisting of U.S. Treasury inflation-indexed bonds with maturities between 0 and 5 years.

Bloomberg MSCI U.S. Aggregate ESG Select Index – an ESG Select Index that is designed to represent the performance of bonds from issuers that exhibit ESG leadership, and exclude bonds from issuers that are inconsistent with specific values-based criteria.

Bloomberg MSCI U.S. High Yield Very Liquid ESG Select - measures high yield, fixed-rate, U.S. dollar-denominated bonds, and is optimized to maximize exposure to positive environmental, social, and governance (ESG) factors. Based on the Bloomberg Barclays US High Yield Very Liquid Index, the ESG Select Index selects securities eligible for US High Yield Very Liquid Index and weights them using an optimization process, while controlling for active total risk.

Benchmark – a standard used for comparison. For example, the S&P 500 is a widely used benchmark thought to be representative of the domestic stock market as a whole.

Benchmark Annualized Return – the conversion of a benchmark's (e.g., S&P 500) cumulative gain or loss activity into an average annual return.

In the case of a contract, an agreement with the contracting entity can include agreements with a third-party to provide services. All of the terms under the signed contract typically apply to all the services provided by the multiple parties or service provider.

Buy/Sell Disciplines – describes under what conditions, and how frequently, a security is to be bought and sold.

C

Composite – a combination or group of select securities.

D

Direct Plan – a plan sold through which participants can invest without paying a "load," or sales fee. This type of plan, which you can buy directly from the program manager without the assistance of a broker, is generally less expensive because it waives or does not charge sales fees that may apply to advisor-sold plans.

Diversified Approach – a portfolio strategy designed to reduce exposure to risk by combining a variety of investments, such as stocks, bonds, and real estate, which are unlikely to all move in the same direction.

Domestic Equity – see Asset class for description.

E

Environmental, Social, and Governance (ESG) – ESG stands for Environmental, Social, and Governance. Investors are increasingly applying these non-financial factors as part of their analysis process to identify material risks and growth opportunities. Environmental factors include the contribution a company or government makes to climate change through greenhouse gas emissions, along with waste management and energy efficiency. Social factors include human rights, labor standards in the supply chain, any exposure to illegal child labor, and more routine issues such as adherence to workplace health and safety. Governance factors are a set of principles defining rights, responsibilities and expectations between different stakeholders in the governance of corporations.

Execution Costs – the costs associated with completing a buy or sell of an asset or investment.

Externally Managed Mutual Funds – a portfolio of investments managed by a third party, outside of the Trust, for a stated fee.

F

Fiduciary Responsibility – a legal authority and ethical duty to make decisions regarding financial matters on behalf of another party

Fixed Income – see Asset class for description.

Fund (or Mutual Fund) – an investment portfolio that is managed by an external professional investment management firm. A mutual fund is typically highly diversified (after taking into account the investment firm's unique philosophy and approach) and includes investments on behalf of many share or unit holders. Mutual funds are "regulated investment companies" registered with the Securities and Exchange Commission.

Fund Annualized return – the conversion of a fund's cumulative gain or loss activity into an average annual return.

Fund Review – a review of a mutual fund's performance describing how the fund may be failing to meet specific criteria. This document is typically produced when a fund is placed on watch status.

H

High Yield – see Asset class for description.

I

Investment Approach/Strategy – the method employed by the mutual fund to achieve its stated added value quantitative.

Investment Guidelines – a list of requirements and criteria agreed upon by the fund and its client to achieve the portfolio's investment objectives. Such guidelines can include items such as (i) the types of asset to be employed, (ii) the maximum amount of exposure to any one security, (iii) maximum or minimum percentages of each type of asset, etc.

Investment Manager or Investment Management Firm – an organization responsible for investing assets on behalf of clients.

Investment Options – see Section I., Background for description.

Investment Performance – the gain or loss of a mutual fund, typically described in percentage terms.

Investment Performance Criteria – pre-determined expectations set for the fund, which are used to evaluate whether the fund is meeting its investment performance quantitative.

Investment Risk – the volatility of an investment's performance, with emphasis on the measurable possibility of an investment losing, or not gaining value.

Investment Style – a philosophy or approach of investing typically held by a broad group of investors (i.e., growth investors, value investors, etc.).

International Equity – see Asset class for description

M

Management Fees – the fee charged by a fund's investment advisor for managing the fund.

MSCI EAFE Index - an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the US and Canada. With 845 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets (EM) Index – is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The index consists of the following 21 emerging market country indices: Brazil, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI US Investable Market Real Estate 25/50 - an index designed to capture the large, mid and small cap segments of the U.S. equity universe. All securities in the index are classified in the Real Estate sector as per the Global Industry Classification Standard (GICS®). The index also applies certain investment limits to help ensure diversification--limits that are imposed on regulated investment companies, or RICs, under the current US Internal Revenue Code.

MSCI World Ex US Index – an index that captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries excluding the United States. With 936 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Multi-fund Options – investment options comprised of more than one individual fund.

O

Ongoing Monitoring – continual (quarterly) evaluation of the qualitative and investment performance aspects of a funds' management and practices to determine their ability to continue to add value and meet pre-established criteria.

Options – a privilege sold by one party to another that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed-upon price during a certain period of time or on a specific date.

Organizational Structure – a description of a fund's business-related characteristics such as personnel and team structure as well as its decision-making hierarchy.

Outperformance – when the result of activities of an investment over a given period of time exceeds expectations (i.e., the result of a growth-oriented fund is better than an assigned benchmark such as the Russell 3000 Growth Index).

P

Participants – individuals electing to take part in the Trust's investment program by contributing assets to the investment options provided by the Trust.

Passive Management – a money-management approach that seeks to match the return and risk characteristics of a market or benchmark.

Periodic Monitoring – regular (annually, semi-annually) evaluation of the qualitative aspects of a fund's management and practices to determine if they meet pre-established criteria.

Portfolios – a stand alone (individual) investment or a collection of multiple investments. In most cases, these investments are mutual funds but may be separate accounts, such as the Social Choice portfolio. One or more portfolios may also represent an asset class. The term 'Portfolio' is also used to describe various participant options.

Program Manager Fee – the fee charged by the program administrator.

Q

Qualitative Considerations – factors taken into account when assessing the Program Manager's overall performance in providing investment management services.

Quantitative Considerations – factors taken into account when assessing the Program Manager's overall investment performance.

Quarterly – a three-month period within one year (typically ending on 3/31, 6/30, 9/30, 12/31).

Quarterly Performance – the result of investment activities within a three-month period.

R

Rolling Periods – specific time periods that are selected to include a finite amount of days, months, quarters, or years in which as the next unit (i.e., day) is entered, the earliest one from the past set is dropped retaining the finite number.

Russell 1000 Index – measures the performance of the 1,000 largest companies in the Russell 3000 Index.

Russell 1000 Growth Index – measures the performance of those Russell 1000 companies with higher price to book ratios and higher forecasted growth values

Russell 1000 Value Index – measures the performance of those Russell 1000 companies with lower price to book ratios and lower forecasted growth values

Russell 2000 Index – measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Russell 3000 Index – measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which as of June 2011 reconstitution represented approximately 98% of the investable U.S. equity market.

Russell Mid Value Index – measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth rates.

S

S&P 500 Index – a performance measurement of the stocks of 500 high quality companies as judged by the Standard & Poor's corporation. This index is widely used and thought to be representative of the entire U.S. stock market.

S&P/LSTA Performing Loan Index – an index designed to reflect the largest loan facilities in the leveraged loan market. It mirrors the market-value-weighted performance of the 100 largest institutional leveraged loans based upon actual market weightings, spreads and interest payments.

Short term – see Asset class for description.

Stand Alone Fund – an individual mutual fund that represents an entire offering as part of the program's investment options.

Status Report – a quarterly evaluation of a fund's performance while designated as being on Watch. This report reviews the reason for the fund being on Watch, for how long, and if the fund is addressing the issues pertaining to Watch.

Structured Security – a debt security with one or more special features, such as making payments based on an underlying index.

Style – a behavior of portfolio returns caused by an investment manager's investment philosophy and portfolio construction processes.

Synthetic Security – a security that is artificially created involving two or more instruments that has the same risk-reward profile as a strategy involving only one instrument.

Swaps – the exchange of one security for another to change the maturity (bonds), quality of issues (stocks or bonds), or because investment quantitatives have changed.

T

T-C Life Funding Agreements – TIAA-CREF Life Insurance Company (T-C Life) investment portfolio which supports the various guaranteed fixed annuities. The General Account primarily invests in corporate and government bonds, structured finance instruments (such as mortgage-backed securities) and real estate.

Three-Month T-Bill – an index that is typically constructed using a single issue U.S. Treasury purchased at the beginning of the month and held for a full month. Each month the index is rebalanced and the issue selected is the outstanding Treasury Bill that matures closest to, but not beyond, 3 months from the rebalancing date.

TIAA ESG Emerging Markets Equity Index – an index based on the MSCI Emerging Markets Index, its parent index, which captures the performance of large and mid-cap segments 24 Emerging Markets (EM) countries*. The TIAA ESG Emerging Markets Equity Index is designed to reflect an increased exposure to positive environmental, social and governance (ESG) factors as well as exhibit lower carbon exposure relative to the Parent Index. The index aims to reflect the performance of certain TIAA strategies.

Tracking Error – the amount by which the performance of the portfolio typically differs (either plus or minus) from that of the benchmark.

U

Underlying Funds – a set (two or more) of mutual funds that together comprise an offering as part of the program's investment options.

Underperformance – when the result of activities of an investment over a given period of time falls short of expectations (e.g., the result of a typical equity portfolio is lower than an assigned benchmark).

V

Value Relative Ratio – a measure of a mutual fund's effectiveness by comparing a fund's return data to the specified benchmark. Calculated as "Fund Cumulative Return/Benchmark Cumulative Return."

W

Watch – a condition assigned to a fund indicating that the fund's investment performance or other qualitative factors do not meet pre-determined criteria. This status allows time for the fund to take corrective action before being terminated.