

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 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 Program Manager and SIB's independent Investment Consultant will provide monitoring reports.

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 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 Investment with its respective benchmark according to the investment performance criteria found in the Section V., 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 actively managed Underlying Investment shall be rated as Pass or Fail using the criteria listed in the Underlying Investment Rating Schedule. 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 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., turnover rate, number of holdings, and 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.

III. INVESTMENT STATUS

The quarterly investment reports provided by the Investment Consultant will rate each Underlying Investment as Pass or Fail as detailed in the following table. Underlying Investments falling below these performance standards and/or qualitative criteria will qualify for Watch status.

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 an Underlying Investment on Watch status

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 group². 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.

Improvement Occurs – Release from Watch

If an 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 Investment on Watch. These reports will highlight the original reasons for placing the 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 Investment from Watch, and the Board may vote to approve this recommendation or not.

² Peer groups are assigned based on Morningstar classification.

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

If an Underlying Investment is not released from Watch within an appropriate period (generally 12 to 18 months), 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 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 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 replacements³. 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.

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.

³ As stated above, SIB may want to act cautiously when considering whether or not to replace an Underlying Investment that is the only fund held in an individual fund portfolio since participants have specifically chosen it.

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)	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

Monitors			
Active Funds	Asset Class	Sub-Asset Class	Benchmark ⁴
T. Rowe Price Instl LC Growth	Equity	US Large Cap Growth	Russell 1000 Growth TR USD
T. Rowe Price Instl LC Value	Equity	US Large Cap Value	Russell 1000 Value TR USD
Nuveen Quant Small Cap Equity	Equity	US Small Cap	Russell 2000 TR USD
DFA Large Cap International	Equity	International	MSCI World Ex US NR USD
DFA Emerg Mkts Core Equity	Equity	Emerging Markets	MSCI EM NR USD
PIMCO Real Return	Fixed Income	Inflation Protection	BBG US Trsy US TIPS TR USD
PIMCO Income	Fixed Income	Intermediate Term	BBG US Agg Bond TR USD
MetWest Total Return	Fixed Income	Intermediate Term	BBG US Agg Bond TR USD
T. Rowe Price Instl Floating Rate	Fixed Income	High Yield	Morningstar LSTA Performing Loan TR
Vanguard High Yield Corporate	Fixed Income	High Yield	BBG US Corporate High Yield
ESG Funds	Asset Class	Sub-Asset Class	Benchmark ⁴
Nuveen Large Cap Responsible Equity	Equity	US Large Cap	S&P 500 TR USD
Nuveen Responsible Intl Equity	Equity	International	MSCI EAFE Index

⁴ Primary prospectus benchmark

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

Monitors			
Passive Fund	Asset Class	Sub-Asset Class	Benchmark ⁵
Nuveen Equity Index	Equity	US Large Cap	Russell 3000 TR USD
Nuveen S&P 500 Index	Equity	US Large Cap	S&P 500 TR
Nuveen Intl Equity Index	Equity	International	MSCI EAFE NR USD
Nuveen Emerg Mkts Eq Index	Equity	Emerging Markets	MSCI EM NR USD
Nuveen Bond Index	Fixed Income	Intermediate Term	BBG US Agg Bond TR USD
Vanguard Short Term Inflation-Protected	Fixed Income	Inflation Protection	BBG US TIPS 0-5 Year
Vanguard Real Estate Index	Real Estate	US REITs	MSCI US Investable Mkt RE 25/50
ESG Funds	Asset Class	Sub-Asset Class	Benchmark ⁵
Nuveen ESG Emerg Mkts Equity ETF	Equity	Emerging Markets	Nuveen ESG EM Equity Index
Nuveen ESG US Aggregate Bond ETF	Fixed Income	Intermediate Term	BBG MSCI US Agg ESG Select
Nuveen ESG High Yield Corp Bond ETF	Fixed Income	High Yield	BBG MSCI US HY Vry Liquid ESG Select

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

VI. DEFINITIONS OF IMPORTANT TERMS

A

Active Management – an investment 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

⁵ Primary prospectus benchmark

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.

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.

MSCI Emerging Markets (EM) Index – is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

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 Developed Markets (DM) countries excluding the United States.

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

N

Nuveen 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 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.

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 – an investment 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.

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 – an investment contract where two parties exchange cash flows or values of assets.

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.

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.