
OCTOBER 8, 2015

**AGENDA ITEM 3
INFORMATION ITEM**

SCHOLARSHARE INVESTMENT BOARD

Review of the ScholarShare Investment Board Proxy Policy

Background

In 2005, the ScholarShare Investment Board (SIB or Board) adopted its Proxy Policy (Policy) which would serve as a guide in future proxy votes. In voting these proxies, SIB has a fiduciary responsibility to its shareholders to act in their best interest. The Proxy Policy establishes fundamental principles and a commitment to shareholders for voting proxies in the future. The Policy was updated in 2008 following a review by SIB staff and SIB's investment consultant, Pension Consulting Alliance, LLC.

At the June 2015 SIB meeting, the Board requested that the Policy be reviewed to identify any changes that may be warranted at this time. Following a review of the existing Policy, PCA recommends no changes to the Policy. SIB staff concurs with this recommendation. A memo from PCA outlining its recommendation and the existing Policy are attached for the Board's reference as Exhibit A and Exhibit B, respectively.

Presenters

Stanley Zeto, Deputy Executive Director, ScholarShare Investment Board
Eric White, Principal, Pension Consulting Alliance, LLC

Date: September 3, 2015
To: ScholarShare Investment Board (SIB)
From: Pension Consulting Alliance, LLC (PCA)
CC: Eric White, CFA – PCA; Kay Ceserani – PCA
RE: Proxy Policy Recommendation

Recommendation

PCA has reviewed the ScholarShare Investment Board Proxy Policy, including its mission statement and general guidelines. At this time, PCA finds that the document is sufficient to cover the Board's proxy voting responsibilities, and no changes are needed.

Discussion

The ScholarShare Investment Board (SIB) is currently responsible for the voting of proxies related to the Golden State ScholarShare College Savings Trust. As such, per the guidelines of the CFA Institute and as fiduciaries of the Trust, the Board has an obligation to participate in and vote on corporate decisions that affect the performance and long-term health of the investments of the Trust and to advocate improvements to corporate governance structures. Voting on corporate matters and advocating on behalf of corporate governance issues helps protect the interests of the Trust by working to improve the long-term health of the companies in which they invest. As part of its review of ScholarShare's existing proxy policy, PCA examined the policy's mission statement as well as the general guidelines for voting of proxies related to 1.) the election of trustees, 2.) changes in investment agreements, policies, and/or objectives, and 3.) geopolitical and social issues. PCA found that these areas covered the major proxy-related issues for the Trust and sufficiently outlined the Trust's overall tenets for voting the proxies.

PCA and SIB Staff have also participated in discussions about addressing more specific tenets to the voting of corporate governance proxies, specifically the potential inclusion of considering diversity and tenure in the election of trustees. Due to the specific nature of these requests, PCA does not believe it is necessary to add these areas to the policy but that the SIB remains diligent in recognizing these factors in voting decisions on a case-by-case basis. For instance, additional scrutiny can be applied to term limits when the average tenure of the company's existing trustees exceeds 15 years for independence from management and for sufficient turnover to ensure new perspectives are being added to the company's board. When voting on proxies to increase the company's board diversity, the SIB can take into account factors such as the degree of existing diversity on the company board and among its executive officers or the company's nominating procedures.

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**ScholarShare Investment Board
Proxy Policy
June 2008**

MISSION STATEMENT

Proxies should be voted on in order to maximize long-term shareholder value for participants in the Golden State ScholarShare College Savings Trust (ScholarShare).

GENERAL GUIDELINES

The ScholarShare Investment Board (SIB) will vote for proposals that maintain or increase the rights of shareholders.

SIB supports strong corporate governance, and will vote against proposals that diminish shareholder rights (e.g., anti-takeover plans such as poison pill plans and supermajority votes), and support proposals that encourage responsiveness to shareholders.

Election of Trustees:

- SIB will generally support management recommendations in situations where a slate of directors is unopposed, unless there is recent underperformance or mismanagement, or the proposed director(s) has a conflict of interest, poor attendance or serves on multiple Boards and appears overcommitted.
- SIB will vote for proposals that result in a more independent Board (directors without other economic ties to or self-interest in the company), and for a Board with at least two-thirds independent directors.

Changes in Investment Agreements, Policies, and/or Objectives:

- SIB will vote in favor of agreements, policies and objectives that are in the long-term best interest of the participants and oppose proposals where disclosure is lacking or changes are not substantiated.

Geopolitical and Social Issues:

- SIB may consider proposals regarding non-economic issues such as geopolitical and social issues (i.e. human rights, civil liberties, discrimination, the environment) consistent with the Statement of Investment Policy. Support for such proposals may be considered to the extent that such issues bear on the financial risk and advisability of the investment. SIB will generally support proposals that may cause the

investment fund board to meet a high ethical and social standard of conduct in their operations, which, in the long-term, will result in superior investment performance.

SIB will decide shareholder matters not addressed in this document on a case-by-case basis utilizing analyses and recommendations from Staff, investment consultants, and if necessary outside proxy consultant sources, to come to a decision that is in the best interest of ScholarShare participants.