

**SCHOLARSHARE 529**  
**PROCESS FOR CONSIDERING NEW INVESTMENTS**  
**(May 2025)**

**Background**

Historically, the Plan structure/investment menu design, including the funds that are utilized, has been driven by the Plan Manager, the ScholarShare Investment Board (SIB or Board) and/or its investment consultant. However, inquiries and suggestions can also come from third parties, such as the public, interested parties, or activist groups.

The proposed process below outlines the protocols SIB will follow when reviewing third-party inquiries regarding the Plan investment structure and/or type of offering including with the Plan.

**Process**

- 1) Third party inquiries can be made to SIB in various ways:
  - a) At a public Board meeting
  - b) Through the SIB and/or Plan website
  - c) Sent directly to Board staff at [scholarshare@treasurer.ca.gov](mailto:scholarshare@treasurer.ca.gov)
  - d) Through a participant survey
- 2) Assessment of Inquiry.
  - a) Preliminary review by SIB.
    - i) Seek to understand the source of and the dynamics around the request and identify any potential conflicts of interest.
    - ii) Nature of the request (new portfolio(s) and/or new underlying fund(s))
    - iii) Facilitate meeting(s) with third-party to gather more information, as needed.
  - b) Next, the SIB, Plan Manager, and Investment Consultant will review to determine need.
    - i) Enhancement to the existing lineup
    - ii) Potential interest
    - iii) Meets the Board's investment objective and fiduciary responsibilities
  - c) If further consideration is warranted, SIB, the Plan Manager, and Investment Consultant may continue with analyses outlined in Section 3.

- 3) Analysis and Recommendation
  - a) Stage 1 - Analysis of Proposed Investment Product
    - i) Quantitative factors and metrics may include, but are not limited to:
      - (1) Assets under management (AUMs)
      - (2) Fees, including costs to implement and fees to Plan account owners
      - (3) Risk Statistics
      - (4) Factor Exposure
      - (5) Risk-Adjusted Performance
      - (6) Absolute Return Figures
      - (7) Relative Peer Performance and Percentile Rankings
    - ii) Qualitative factors and metrics may include, but are not limited to:
      - (1) Firm Structure and Stability
      - (2) Investment Team and Depth of Experience
      - (3) Track Record
      - (4) Investment Philosophy
      - (5) Investment Process
      - (6) Risk Management
      - (7) Legal and Regulatory Issues
      - (8) Agreement(s) Needed with Plan Manager
  - b) Stage 2 - Analysis of Potential Impact to ScholarShare 529 Plan
    - i) Diversified Portfolios - impact to expected outcomes
    - ii) Assessment of underlying fund(s) pursuant to SIB's existing monitoring procedures and criteria
    - iii) Potential impact on perception of quality of plan's offering(s)
  - c) Investment Consultant and Plan Manager Analysis and Recommendation
    - i) Investment Consultant and Plan Manager shall submit a report to SIB staff highlighting their analysis and rationale for supporting or opposing the proposed consideration of new investments from the third-party.
  - d) SIB Staff Recommendation
    - i) SIB consideration and approval of recommendation(s) from SIB staff
- 4) Potential implementation and considerations.
  - a) Determine implementation schedule including timing and priority
  - b) Conduct operational planning
  - c) Evaluate new concepts that may require Board education
  - d) Determine level of Board review and analysis, including assessment of related Board review and approval items, such as SIB's Statement of Investment Policy and Monitoring Procedures and Criteria, as applicable
  - e) Update necessary items, including, but not limited to, Plan website, reports, and Plan Description (and/or additional supplement(s)).