2017 Proxy Policy Statement

Our policy is designed to reflect the fiduciary duty to vote proxies in favor of shareholder interests. In determining our vote, we will not subordinate the economic interest of the plan participants to any other entity or interested party.

Per the terms of ERISA, we will "cast the (client's) proxies in a timely manner solely in the interests of the participants and beneficiaries of (client's) Plan for the exclusive purpose for providing benefits to participants and their beneficiaries and defraying the reasonable expenses of administering the Plan with care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in like capacity familiar with such matters would use in the conduct of an enterprise of like character and with like aims in accordance with the documents and instruments governing the Plan in accord with the provisions of ERISA."

Numerous studies and surveys of leading institutional investors demonstrate the value of good corporate governance. Below are references to relevant sources.

Specifically:

A 2015 Columbia Business School study, ***"Management Influence on Investors: Evidence from Shareholder Votes on the Frequency of Say on Pay,"*** found, "[c]ompared to firms adopting an annual frequency, firms following management's recommendation to adopt a triennial frequency are significantly less likely to change their compensation practices in response to an adverse say on pay vote, consistent with the notion that a less frequent vote results in lower management accountability."

A January 2015 study by McKinsey & Company, "***Why Diversity Matters,"*** found companies in the top quartile for gender or racial and ethnic diversity tend to report financial returns above their national industry medians.

Credit Suisse came to similar conclusions in its 2014 study, "***Women's Positive Impact on Corporate Performance."*** The financial services firm found "Greater gender diversity in companies' management coincides with improved corporate financial performance and higher stock market valuations."

A 2015 study by professors at The Wharton School and Boston College, ***Passive Investors, Not Passive Owners,*** that found passively managed mutual funds exert influence on firms' governance. The research also found the significant governance changes associated with the funds such as more independent directors, removal of takeover defenses and more equal voting rights improve firms' long-term performance.

A survey in 2000 by the World Bank of 200 institutional investors In the U.S., Europe, Asia and Latin America whose aggregate assets were valued at $3.25 trillion revealed that 75% of the respondents considered corporate governance to be at least as important as financial performance when evaluating assets and 80% said they would pay more for shares of a well-governed company than a poorly-governed company with comparable financials. The good governance factors were: a majority of independent directors; formal evaluations of directors; company responsiveness to requests on governance issues; directors holding significant shares of the company; and a large portion of director compensation being paid in stock.

A 2003 study of 1,600 major U.S. and foreign companies by Governance Metrics International that assessed businesses on 600 criteria (e.g., auditor independence, conflict of interest among top executives, potential share dilution from stock options, board independence, financial disclosure and internal controls) found that over three years, companies with the poorest governance ratings lost an average of 13% a year compared with a loss of 1.8% for all companies. Companies with good governance ratings beat those rated near the bottom for periods of over five and 10 years. The study concluded that superior governance does not necessarily generate superior returns, but inferior governance does evidence inferior returns.

A 2003 study in the Quarterly Journal of Economics, "Corporate Governance and Equity Prices," found that those firms with stronger shareholder rights had higher firm value, higher profits, higher sales growth and lower capital expenditures.

A 2004 Harvard University study found that classified boards are correlated with an economically significant reduction in firm value. The study applied a standard financial economic measure known as Tobin's Q (market value of assets divided by their book value) to more than 1,400 companies accounting for more than 90% of the total capitalization of the U.S. stock market. Having a classified board reduced a company's Tobin's Q value by an average of three to four per cent.

A 2004 study in Financial Analysts Journal found that as the number of outside directors on board and key committees increased, the likelihood of misdeeds decreased, which lends support to the corporate governance activists who argue that a substantial majority of independent outsiders is needed on boards to protect shareholders, not just the simple majority in the listing requirements of the New York Stock Exchange and NASDAQ. The study compared 133 companies accused of fraud from 1978-2001 with another sample of 133 no-fraud companies of similar size and in the same industries.

In 2005, an Institutional Shareholder Services study showed that companies with better corporate governance outperformed poorly-governed companies in return on investment, annual dividend yield, net profit margin and price-to-earnings ratio.

In 2006, Institutional Shareholder Services surveyed more than 300 large investors overseeing $10.5 trillion in assets in 19 countries and found that: 94% of investors view corporate governance as critical to their companies; 63% think corporate governance will become even more critical over the next three years; 67% believe that corporate governance offers value; and 58% think that corporate governance enhances investment returns.

A 2007 study by Governance Metrics that graded the S&P 500 companies on more than 400 corporate governance variables as well as their stock performance from July 1, 2003 through June 30, 2006, found that those companies that were graded above average on corporate governance outperformed the S&P 500 in total shareholder return (13.46% to 11.32%) and those companies with below average corporate governance ratings underperformed the S&P 500 (10.53% to 11.32%).

A 2007 study by Wilshire Consulting for the California Public Employees' Retirement System (CalPERS) showed that of the 128 poorly performing focus list companies CalPERS engaged from 1987-2005 to improve their corporate governance: the companies underperformed their respective benchmarks by 86.7% for the five years preceding CalPERS activism; the companies outperformed their respective benchmarks by 12.2% for the subsequent five-year period.

In 2007, Institutional Shareholder Services attributed shareholder activism with creating $3.3 billion in additional value for Caremark shareholders by forcing CVS to restructure its acquisition of Caremark.

Each proxy will be reviewed on a case-by-case basis with final decisions based on the merits of each case. In reviewing the proxy issues, we will use the following Issue Guidelines for each of the categories of issues listed below. If any conflicts of interest should arise, SMA will resolve them pursuant to the steps prescribed in the Administrative Procedures section below. The Proxy Policy Statement has been amended this year to provide guidance on shareholder proposals that request companies neutralize the impact of share repurchases when evaluating executive pay metrics that are improved by share repurchases (see page 11). It is appropriate for companies to account for the impact of share repurchases when evaluating executive performance for compensation purposes.

Issue Guidelines

Election of Directors

The members of the boards of directors are elected by shareholders to represent the shareholders' interests. This representation is most likely to occur if two-thirds of the members are independent outsiders as opposed to insider directors (such as senior management employees, former employees, relatives of management or contractors with the company). If two-thirds of the board is not represented by independent outsiders, a vote will usually be cast to withhold authority on the inside directors.

Other factors that will be considered when reviewing candidates will be the diversity of board nominees in terms of race, gender, experience and expertise; the number of corporate boards on which they already serve (ideally directors with fulltime jobs should serve on no more than three other boards and no individual should serve on more than five other boards), whether they have pledged a substantial amount of company stock, their performance on committees and other boards, the company's short-term and long-term financial performance under the incumbent candidates, the company's responsiveness to shareholder concerns (particularly the responsiveness to shareholder proposals that were approved by a majority of shareholders in the past 12 months) and other important corporate constituents, the overall conduct of the company (e.g., excessive executive compensation, adopting anti-takeover provisions without shareholder approval) and not attending at least 75% of Board and Committee meetings unless there is a valid excuse.

Recently, more emphasis has been placed on the independence of key Board committees—audit, compensation and nominating committees. It is in the best interests of shareholders for only independent directors to serve on these committees. Votes will be withheld from any insider nominee who serves on these committees.

In contested elections of directors, the competing slates will be evaluated upon the personal qualifications of the candidates, the quality of the strategic plan they advance to enhance long-term corporate value, management's historical track record, the background to the proxy contest and the equity ownership positions of individual directors.

Ratification of Auditors

The ratification of auditors used to be universally considered a routine proposal, but a disturbing series of audit scandals at publicly-traded companies and SEC-mandated disclosures that revealed auditors were being paid much more for "other" work at companies in addition to their "audit" work have demonstrated that the ratification of auditors needs to be scrutinized as much as the election of directors.

Although the Sarbanes-Oxley Act of 2002 attempted to address the issue of auditor conflicts of interest, it still allows auditors to do substantial "other" work (primarily in the area of taxes) for companies that they audit. Therefore, SMA will weigh the amount of the non-audit work and if it is so substantial as to give rise to a conflict of interest, it will vote against the ratification of auditors. Concern will be raised if the non-audit work is more than 20% of the total fees paid to the auditors. Other factors to weigh will be if the auditors provide tax avoidance strategies, the reasons for any change in prior auditors by the company, and if the same firm has audited the company for more than seven years.

Routine Proposals

Routine proposals are most commonly defined as those which do not change the structure, by laws, or operation of the company to the detriment of the shareholders. Traditionally, these issues include:

-Indemnification provisions for directors;
-Liability limitations of directors;
-Stock splits/reverse stock splits;
-Name changes.

Given the routine nature of these proposals, proxies will usually be voted with management. However, each will be examined carefully. For example, limitations on directors' liability will be analyzed to ensure that the provisions conform with the law and do not affect their liability for such actions as the receipts of improper personal benefits or the breach of their duty of loyalty. The analysis of a proposal to limit directors' liability would also take into consideration whether any litigation is pending against current board members.

Non-Routine Proposals

Issues in this category are more likely to affect the structure and operation of the company and, therefore will have a greater impact on the value of a shareholder's investment. We will review each issue in this category on case-by case basis.

As previously stated, voting decisions will be made based on the financial interest of the plan beneficiaries. Non-routine matters include:

Mergers/Acquisitions and Restructuring (See also Reincorporating/ Inversions)
Our analysis will focus on the strategic justifications for the transaction and the fairness of any costs incurred.

Advisory Votes on Compensation Policies and Practices
To evaluate compensation policies and practices, the threshold query is "does a company's compensation reflects its performance"? This will be determined by how a company has performed for shareholders compared to its peer group as well as by how a company has compensated its executives compared to its peer group. Whether restricted stock awards are time vesting or performance vesting will also be taken into consideration. Additional queries

will be made to determine the level of dilution in stock compensation plans, and to ascertain if golden parachutes have been awarded to executives and, if they have, whether they pay tax gross-ups. The threshold query will carry the most weight, but the additional queries can be persuasive in the event the answer to the threshold query is not clear cut. There will also be an option as to whether the company should have these advisory votes on compensation on an annual basis or every two or three years. An annual basis is in the best interests of shareholders.

Advisory Votes on Severance Packages In Connection with Mergers/Acquisitions
The factors to weigh are whether the total payment is in excess of 2.99 times salary and bonus, whether excise taxes are grossed-up, if there is a double trigger for cash payments and whether the accelerated vesting of stock awards is excessive.

Fair-Price Provisions
These attempts to guard against two-tiered tender offers in which some shareholders receive less value for their stock than other shareholders from a bidder who seeks to take a controlling interest in the company. There can be an impact on the long-term value of holdings in the event shareholders do not tender. Such provisions must be analyzed on a case-by-case basis.

Reincorporating/Inversions
A company usually changes the state or country of its incorporation to take advantage of tax and corporate laws in the new state or country. These advantages should be clear and convincing and be supported by specific, legitimate business justifications that will enhance the company’s long-term value to shareholders and will be weighed along with any loss in shareholder rights and protections (e.g., dilution of management accountability and liability, anti-takeover devices), reputational risk, damage to governmental relationships, adverse impact on the company’s employees and erosion of the local/state/Federal tax base.

Changes in Capitalization
Our inquiry will study whether the change is necessary and beneficial in long run to shareholders. Creation of blank check preferred stock, which gives the board broad powers to establish voting, dividend and other rights without shareholder review, will be opposed.

Increase in Preferred and Common Stock
Such increases can cause significant dilution to current shareholder equity and can be used to deter acquisitions that would be beneficial to shareholders. We will determine if any such increases have a specific, justified purpose and if the amounts of the increase are excessive.

Stock/Executive Compensation Plans
The purpose of such plans should be to reward employees or directors for superior performance in carrying out their responsibilities and to encourage the same performance in the future. Consequently, the plan should specify that awards are based on the executive’s/director’s and the company’s performance. In the case of directors, their attendance at meetings should also be a requirement. In evaluating such plans we will also

consider whether the amount of the shares cause significant dilution (5% or more) to current shareholder equity, how broad-based and concentrated the grant rates are, if there are holding periods, if the shares are sold at less than fair market value, if the plan contains change-in-control provisions that deter acquisitions, if the plan has a reload feature, and if the plan allow the repricing of "underwater" options.

Employee Stock Purchase Plans
These are broad-based plans, federally regulated plans which allow almost all fulltime and some part-time workers to purchase limited amounts of company stock at a slight discount. Usually the amount of dilution is extremely small. They will normally be supported because they do give workers an equity interest in the company and better align their interests with shareholders.

Creation of Tracking Stock
Tracking stock is designed to reflect the performance of a particular business segment. The problem with tracking stocks is they can create substantial conflicts of interest between shareholders, board members and management. Such proposals must be carefully scrutinized and they should be supported only if a company makes a compelling justification for them.

Approving Other Business
Some companies seek shareholder approval of management being given broad authority to take action at a meeting without shareholder consent. Such proposals are not in the best interests of shareholders and will be opposed.

Corporate Governance Proposals

We will generally vote against any management proposal that is designed to limit shareholder democracy and has the effect of restricting the ability of shareholders to realize the value of their investment. Proposals in this category would include:

Golden Parachutes
These are special severance agreements that take effect after an executive is terminated following a merger or takeover. In evaluating such proposals, we will consider the salaries, bonuses, stock option plans and other forms of compensation already available to these executives to determine if the additional compensation in the golden parachutes is excessive. Shareholder proposals requesting that they be approved by shareholders will be supported.

Greenmail Payments
Greenmail is when a company agrees to buy back a corporate raider's shares at a premium in exchange for an agreement by the raider to cease takeover activity. Such payments can have a negative impact on shareholder value. Given that impact, we will want there to be a shareholder vote to approve such payments and we will insist that there be solid economic justification before ever granting such approval.

Super Majority Voting
Some companies want a super majority (e.g., 66%) vote for certain issues. We believe a simple majority is generally in the best interest of shareholders and we will normally vote that way unless there is strong evidence to the contrary.

Dual Class Voting
Some companies create two classes of stock with different voting rights and dividend preferences. We will examine the purpose that is being used to justify the two classes as well as to whom the preferred class of stock is being offered. Proposals that are designed to entrench company management or a small group of shareholders at the expense of the majority of shareholders will not be supported. Proposals that seek to enhance the voting rights of long-term shareholders will be given careful consideration.

Fair Price Proposals
These require a bidder in a takeover situation to pay a defined "fair price" for stock. Our analysis will focus on how fairly "fair price" is defined and what other anti-takeover measures are already in place at the company that might discourage potential bids that would be beneficial in the long term to shareholders.

Classified Boards
These are boards where the members are elected for staggered terms. The most common method is to elect one-third of the board each year for three-year terms. We believe the accountability afforded by the annual election of the entire board is very beneficial to stockholders and it would take an extraordinary set of circumstance to develop for us to support classified boards.

Shareholders' Right To Call Special Meetings and Act By Written Consent
These are important rights for shareholders and any attempts to limit or eliminate them should be resisted. Proposals to restore them should be supported.

Shareholder Proposals

Proposals submitted by shareholders for vote usually include issues of corporate governance and other non-routine matters. We will review each issue on a case-by-case basis in order to determine the position that best represents the financial interest of the plan beneficiaries. Shareholders matters include:

Poison Pill Plans
These plans are designed to discourage takeovers of a company, which can deny shareholders the opportunity to benefit from a change in ownership of the company. Shareholders have responded with proposals to vote on the plans or to redeem them. In reviewing such plans, we check whether the poison pill plans were initially approved by shareholders and what anti-takeover devices are already in place at the company.

Independence of Boards and Auditors
The wave of corporate/audit scandals at the start of the 21st Century provided compelling evidence that it is in the best interests of shareholders to support proposal seeking increased independence of boards (e.g., requiring supermajority of independents on boards, completely independent nominating, compensation and audit committees, stricter definitions of "independence", disclosures of conflicts of interest) and auditors (e.g., eliminate or limit "other" services auditors perform, rotation of audit firms). A related issue is the independence of analysts at investment banking firms. Proposals seeking to separate the investment banking business from the sell-side analyst research and IPO allocation process should be supported.

Cumulative Voting
This allows each shareholder to vote equal to the number of shares held multiplied by the number of directors to be elected to the board. Shareholders can then target all their votes for one of a few candidates or allocate them equally among all candidates. It is one of the few ways shareholders can attempt to elect board members. In studying cumulative voting proposals, we will review the company's election procedures and what access shareholders have to the nominating and voting process.

Confidential Voting
Most voting of proxies in corporate America is not confidential. This opens the process to charges that management pressures shareholders or their investment managers to vote in accordance with management's recommendations. We believe the concept of confidential voting is so fundamental to the democratic process and is so much in the best interest of shareholders that we would oppose it only in the most extraordinary circumstances.

S*hareholder Access To the Proxy For Director Nominations*
Proposals to provide shareholders access to the company proxy statement to advance non-management board candidates will generally be supported if they are reasonably designed to enhance the ability of substantial shareholders to nominate directors and are not being used to promote hostile takeovers.

Separate Chairperson and Chief Executive Officer
The primary purpose of the board of directors is to protect shareholder interests by providing independent oversight of management. If the Chair of the Board is also the Chief Executive Officer of the company, the quality of oversight is obviously hindered. Therefore, proposals seeking to require that an independent director serve as Chair of the Board will be supported.

An alternative to this proposal would be the establishment of a lead independent director, who would preside at meetings of the board's independent directors and coordinate the activities of the independent directors.

Term Limit For Directors
Proposals seeking to limit the term for directors will normally not be supported because they can deny shareholders the service of well-qualified directors who have effectively represented shareholder interests.

Broader Participation On Boards
A more diverse board of qualified directors is in the best interests of shareholders. Therefore, proposal requesting companies to make efforts to seek more qualified women and minority group members will be supported.

Greater Transparency and Oversight
Shareholders benefit from full disclosure of board practices and procedures, company operating practices and policies, business strategy, and the way companies calculate executive compensation. Proposals seeking greater disclosure on these matters will generally be supported.

Executive/Director Compensation
Proposals seeking to tie executive and director compensation to specific performance standards, to impose reasonable limits on it or to require greater disclosure of it are in the best interests of shareholders. The expense of options should be included in financial statements (as required in Canada). Financial performance is the traditional measurement for executive compensation—the more specific the better. Where executive pay is based on metrics that are improved through share repurchases the impact of repurchases should be neutralized to avoid artificially inflating executive pay. Other performance measures can be a useful supplement to the traditional financial performance measurement and are worthy of consideration. Examples are regulatory compliance, international labor standards, high performance workplace standards and measures of employee satisfaction.

High Performance Workplaces
We will support proposals encouraging the high-performance workplace practices identified in the Department of Labor's report that contribute to a company's productivity and long-term financial performance.

Codes of Conduct
Proposals seeking reports on and/or implementation of such commonly accepted principles of conducts as the Ceres Principles (environment), MacBride Principles (Northern Ireland), Code of Conduct for South Africa, United Nations' International Labor Organization's Fundamental Conventions, fair lending practices and the U.S. Equal Employment Opportunity Commission are in the best interests of shareholders because they provide useful information and promote compliance with the principles.

Pension Choice
There has been a recent trend by companies to convert traditional defined benefit pension plans into cash-balance plans. This has proved controversial because cash-balance plans often hurt older workers and may be motivated by a company's desire to inflate its book profits by boosting surpluses in its pension trust funds. Proposals giving employees a choice between maintaining their defined benefits or converting to a cash-balance will generally be supported.

Say on Pay
Shareholders in the United Kingdom, Australia, Norway, the Netherlands and Sweden have had an advisory vote on companies' compensation reports for several years. Say on Pay proposals will be supported because they give shareholders meaningful input on a company's approach to executive compensation without entangling them with the micromanagement of specific plans**.**

Majority Vote Standard for Director Elections
For years, most boards of directors were elected by a plurality vote standard—nominees who get the most votes win. In a non-contested election (which most are) the only vote options are "for" and "withhold authority." That means a nominee could have only one share cast "for" him/her and still be elected, regardless of how many shareholders withheld their votes for that nominee. Therefore, proposals requesting that nominees in non-contested elections receive a majority of the votes cast will be supported.

January 17, 2017