



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 9

MEETING DATE: February 16, 2022

SUBJECT: Proxy Voting Activity Report – Fourth Quarter 2021

SUBMITTED FOR: Consent Deliberation and Action Receive and File

RECOMMENDATION

Staff recommends the Board receive and file the report summarizing SCERS' proxy voting results for the quarter and year ending December 31, 2021.

PURPOSE

This item complies with SCERS' Proxy Voting Policy to provide a summary of the results of SCERS' proxy voting activity. This item contributes to the effective management and oversight of investment activities.

SUMMARY

The fourth quarter of the year is a relatively quiet period for proxy voting in the U.S., with a greater percentage of voting activity coming from foreign countries. Less than 50% of the voting activity in the fourth quarter was from U.S. meetings (46%) versus foreign countries (54%). During the fourth quarter of 2021, SCERS voted in 146 meetings and on 1,260 proposals, which was approximately 95% and 96% of potential meetings and proposals, respectively. During the quarter, SCERS voted in compliance with voting guidelines 100% of the time, which resulted in voting with management on approximately 91% of proposals and against management on 9% of proposals. The percentage of votes against management is comparable with the prior quarter (Q3 2021) but slightly below the votes against management in the fourth quarter of 2020, when SCERS' voted against management in 11% of proposals. The only instances where SCERS did not vote the proxies was for meetings in Sweden and Brazil, where SCERS does not have the requisite power of attorney to vote the shares. During the quarter, SCERS voted in meetings across 23 countries.

For the year ending December 31, 2021, SCERS' proxy voting activity increased slightly from the prior year. For the full year, SCERS voted in 1,572 meetings and on over 19 thousand proposals. SCERS maintained a high level of proxy voting participation throughout the year, voting in over 97% of meetings and 95% of proposals. The number of meetings and proposals was up 7% and 5%, respectively, from the prior year. Votes against management was steady

compared to the prior year, with SCERS voting against management on 7.8% of the proposals versus 7.2% in the prior year.

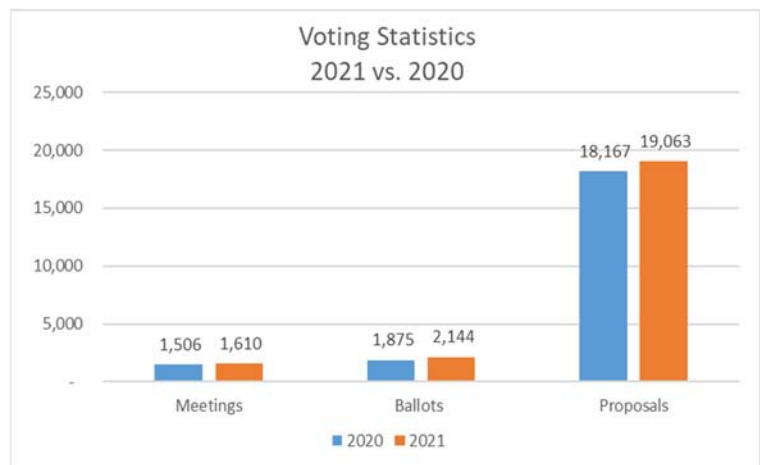
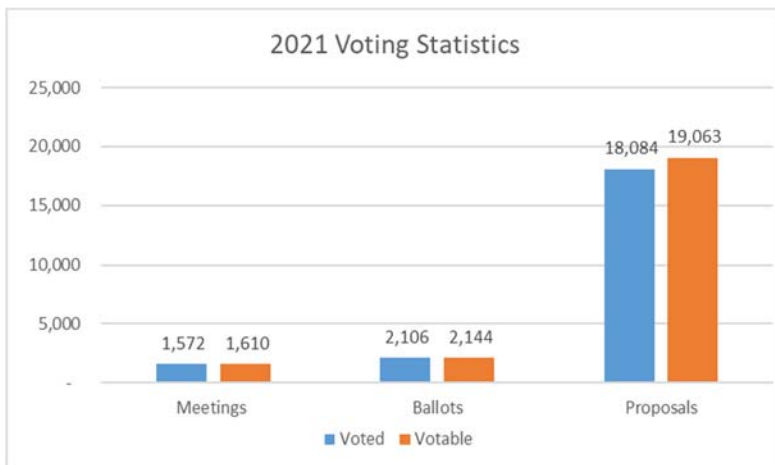
Proxy voting is a way for shareholders to vote on corporate actions when they are not able to attend a company’s annual meeting (i.e. vote via proxy). With institutional investors holding highly diversified portfolios, voting via proxy has become standard practice. For example, SCERS has an ownership interest in over 1,300 companies across its domestic and international equity portfolios. Proxy voting is the primary method by which shareholders, as owners of a company, can express their views and influence a company’s operations.

Proxy voting rights are considered valuable plan assets. As a fiduciary, SCERS is required to vote proxies in the best interests of plan participants and beneficiaries. SCERS’ Proxy Voting Policy authorizes the use of third-party proxy voting service providers to vote proxies for public equity securities.

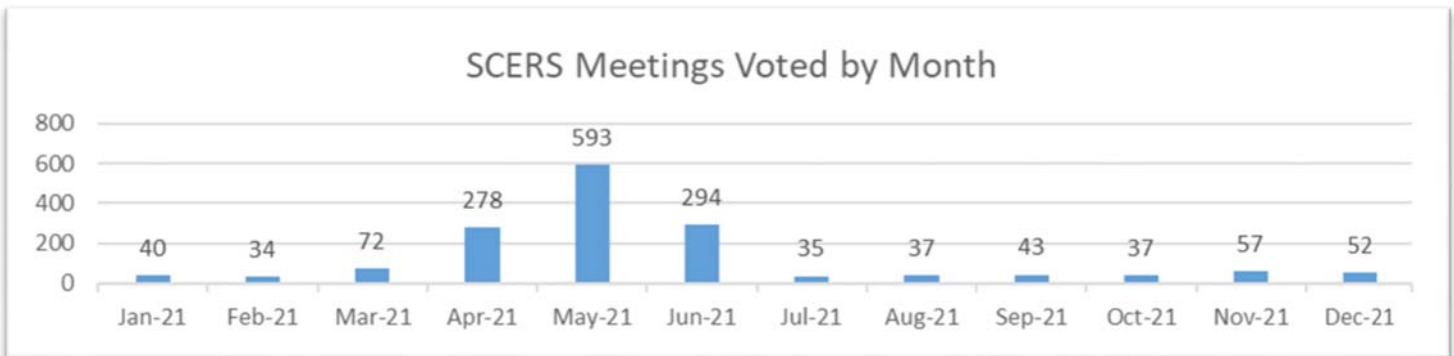
SCERS utilizes the services of Institutional Shareholder Services, Inc. (ISS) to facilitate the voting of proxies. Proxies are voted to fulfill SCERS’ fiduciary duties and in a manner consistent with the long-term interests of plan participants and beneficiaries. The following charts and data summarize the overall proxy voting results for the year and quarter ending December 31, 2021. ISS Board Statistics reports for the year and quarter ending December 31, 2021, are provided along with this memo.

Calendar Year 2021

For the year ending December 31, 2021, SCERS voted in 98% of meetings where SCERS had an ownership interest and was eligible to vote (1,572 meetings out of 1,610 votable meetings during the year). The votable meetings included 2,144 ballots and 19,063 items or proposals. The number of ballots can exceed the number of meetings if SCERS owns shares across multiple investment manager portfolios. SCERS voted approximately 98% of ballots and 95% of proposals during the year. For the meetings not voted on, the majority relate to foreign countries such as Sweden, Denmark, or Brazil, where SCERS does not have the requisite power of attorney necessary to vote the meetings.



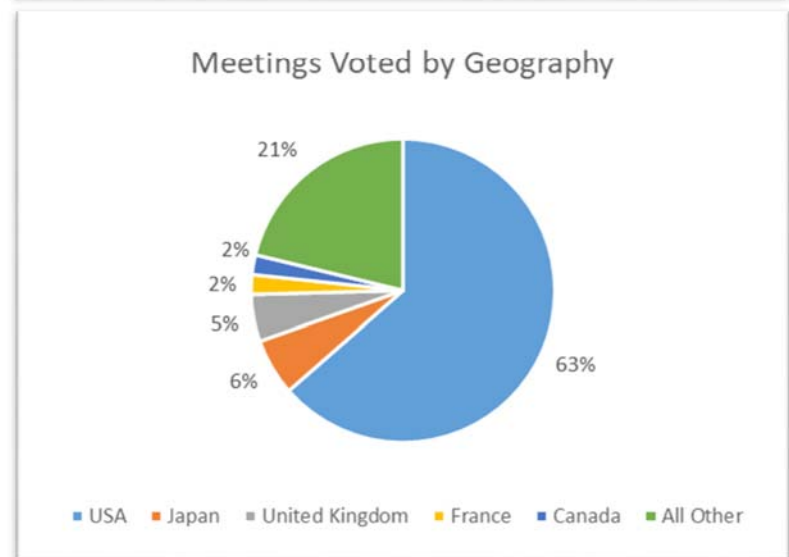
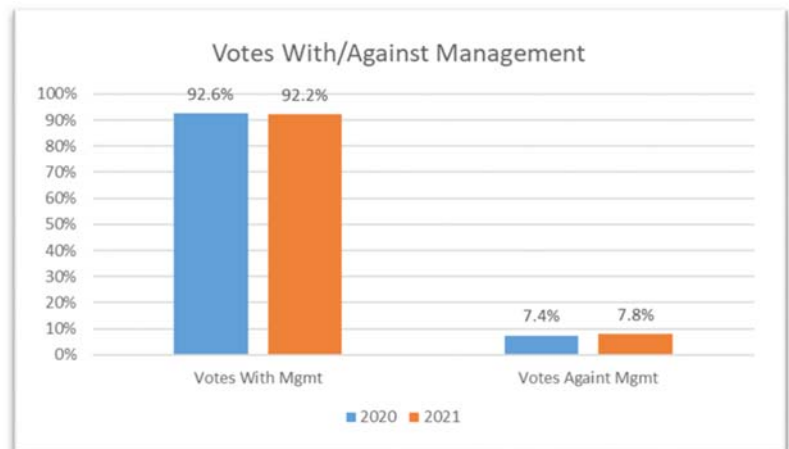
During 2021, the number of meetings, ballots, and proposals increased slightly from the prior year. With no significant restructuring of SCERS' equity portfolios during 2021, the increase in meetings and ballots is a result of increased activity by companies within the portfolio. The majority of company meetings are held during the months of April through June. At the beginning of the calendar year, ISS updates their voting guidelines to be aligned with current industry standards and taking into account significant issues in the current and prior year. These updated guidelines are issued in advance of the busy voting months that occur during the second quarter.



In accordance with ISS benchmark voting guidelines, SCERS voted with management on 92.2% of proposals during the year and voted against management on 7.8% of proposals. This is only slightly different from voting results in the prior year.

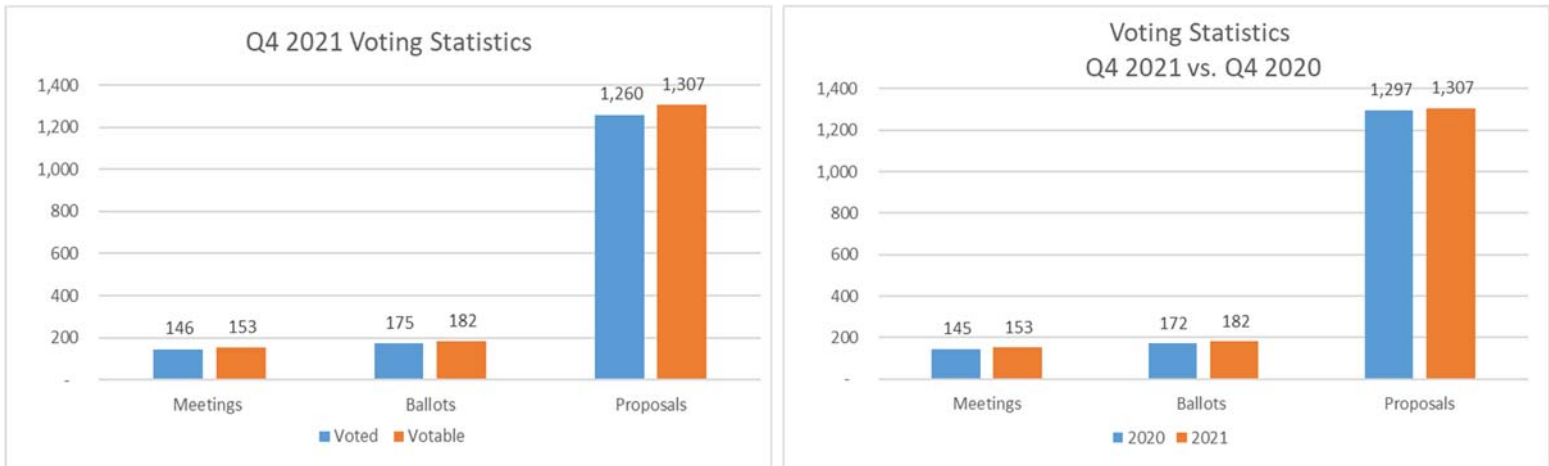
During the year, SCERS needed to take action on 10 votes where ISS could not issue a recommendation. These votes were primarily instances where SCERS needed to clarify that it was an institutional investor and was not an officer and/or did not have a personal interest in the company. There were no votes during 2021 that went against SCERS' voting policy.

On a geographic basis, the U.S. comprised the vast majority of meetings during the year, at approximately 63% of total meetings voted. Following the U.S., the countries with the greatest number of meetings were Japan (6%) and the United Kingdom (5%). No other single country made up more than 2% of total voted meetings during the year. In total, SCERS voted on meetings across 41 different countries.



Fourth Quarter 2021

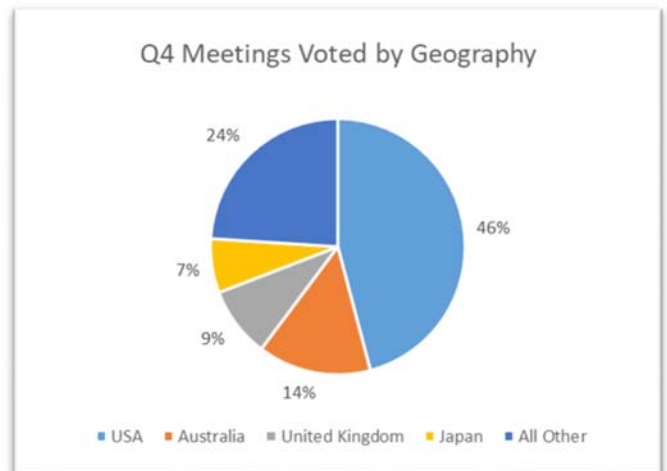
During the fourth quarter, SCERS voted in 146 out of 153 votable meetings (95%). The meetings voted on included 182 ballots and 1,307 proposals. SCERS voted on over 96% of ballots and proposals during the quarter. The meetings that were not voted on during the quarter were due to SCERS not having the requisite power of attorney (common in some foreign markets) to complete the voting process. The number of meetings and proposals voted on were slightly higher than during the fourth quarter of 2020.



During the fourth quarter, SCERS voted with management on 91.3% of proposals and voted against management 8.7% of the time. The percentage of votes against management decreased compared to the fourth quarter of 2020. For the votes against management, most of the votes related to the election of directors or compensation related matters.

There were only two votes during the quarter that required SCERS to take action. These votes were in foreign countries that ask investors to classify if they are an institutional investor and/or have a personal interest in the company.

On a geographic basis, 46% of the meetings voted on were for U.S. based companies, followed by Australia (14%) and Japan (9%). SCERS voted on meetings in 23 countries during the quarter.



ATTACHMENT

- ISS Board Statistics Report for the year ending December 31, 2021.
- ISS Board Statistics Report for the quarter ending December 31, 2021.

Prepared by:

Brian Miller
Senior Investment Officer

Reviewed by:

Steve Davis
Chief Investment Officer

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
February 16, 2022

MOTION:

Proxy Voting Activity Report – Fourth Quarter 2021

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to receive and file the Proxy Voting Activity Report – Fourth Quarter 2021.

I HEREBY CERTIFY that the above order was passed and adopted on February 16, 2022 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Richard B. Fowler II
Board President

Eric Stern
Chief Executive Officer and
Board Secretary

Board Statistics Report



Parameters Used:
 Location(s): All locations
 Account Group(s): All account groups
 Institution Account(s): All institution accounts
 Custodian Account(s): All custodian accounts
 Reporting Period: 01/01/2021 to 12/31/2021

Meeting Overview

Category	Number	Percentage
Number of votable meetings	1,610	
Number of meetings voted	1,572	97.64%
Number of meetings with at least 1 vote Against, Withhold or Abstain	572	35.53%

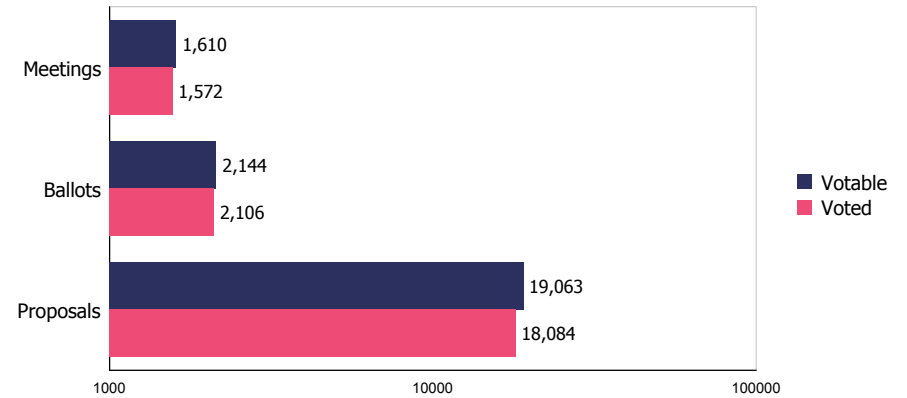
Ballot Overview

Category	Number	Percentage
Number of votable ballots	2,144	
Number of ballots voted	2,106	98.23%

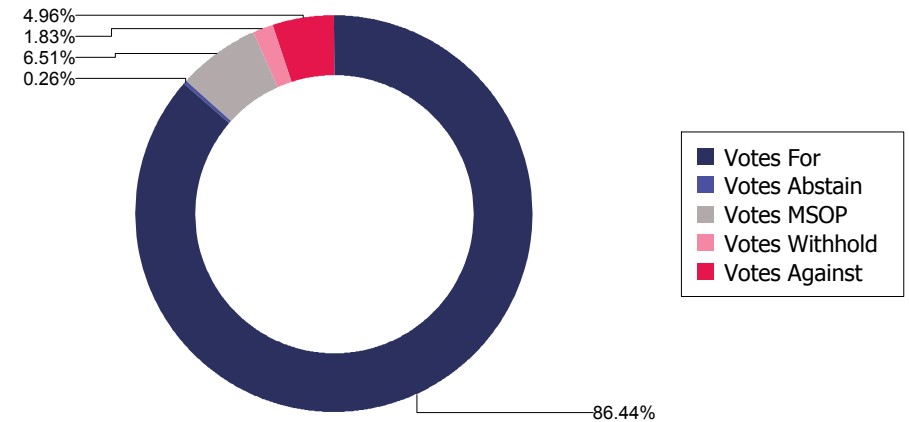
Proposal Overview

Category	Number	Percentage
Number of votable items	19,063	
Number of items voted	18,084	94.86%
Number of votes FOR	16,662	92.14%
Number of votes AGAINST	956	5.29%
Number of votes ABSTAIN	50	0.28%
Number of votes WITHHOLD	353	1.95%
Number of votes on MSOP	1,255	6.94%
Number of votes One Year	63	0.35%
Number of votes Two Years	0	0.00%
Number of votes Three Years	0	0.00%
Number of votes With Policy	18,084	100.00%
Number of votes Against Policy	0	0.00%
Number of votes With Mgmt	16,667	92.16%
Number of votes Against Mgmt	1,417	7.84%
Number of votes on Shareholder Proposals	493	2.73%

Voting Statistics



Vote Cast Statistics

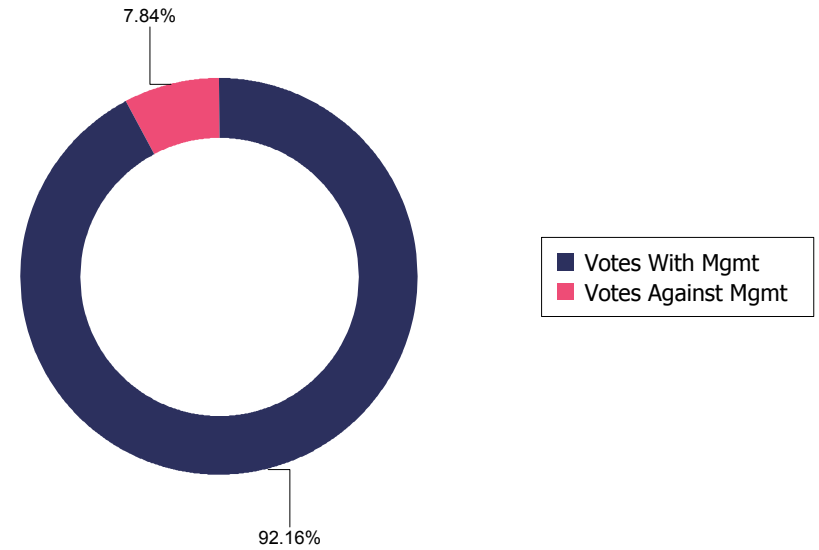


Note: Instructions of Do Not Vote are not considered voted, and in cases of different votes submitted across ballots for a given meeting, votes cast are distinctly counted by type per proposal where total votes submitted by type may be higher than unique proposals voted.

Vote Alignment with Policy

No graphical representation provided.

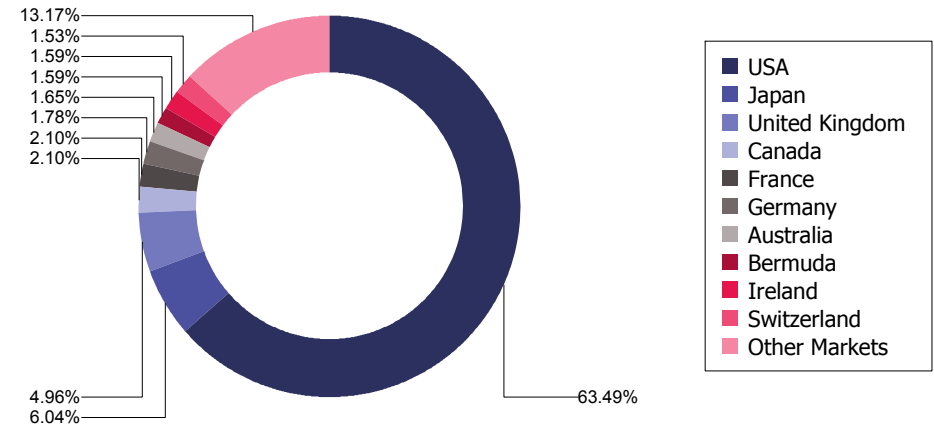
Vote Alignment with Management



Market Breakdown

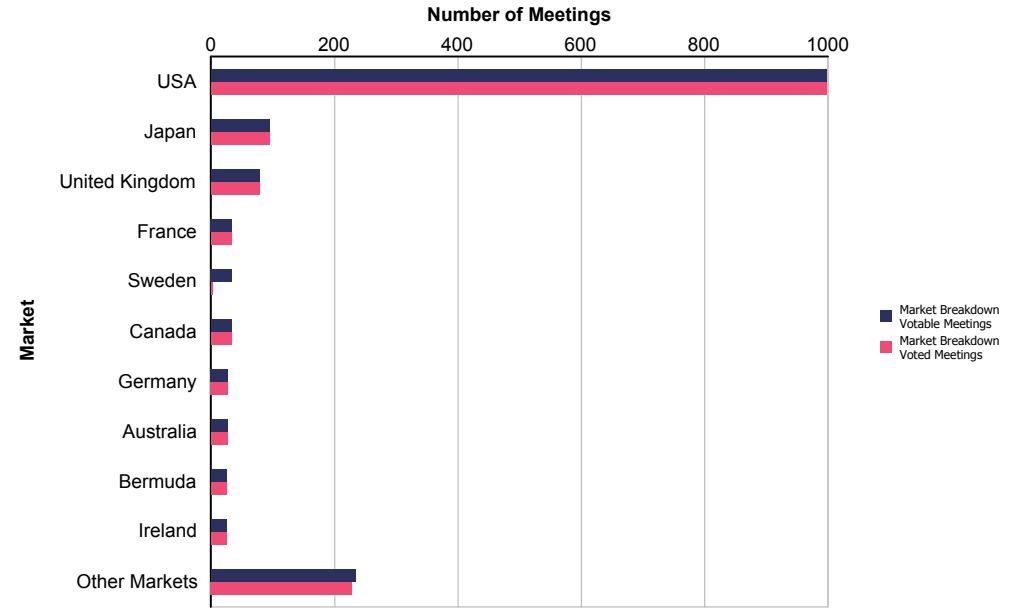
Market	Votable Meetings	Voted Meetings	Percentage
USA	998	998	100.00%
Japan	95	95	100.00%
United Kingdom	78	78	100.00%
France	34	33	97.06%
Sweden	34	3	8.82%
Canada	33	33	100.00%
Germany	28	28	100.00%
Australia	26	26	100.00%
Bermuda	25	25	100.00%
Ireland	25	25	100.00%
Switzerland	24	24	100.00%
Cayman Islands	21	21	100.00%
China	18	18	100.00%
India	17	17	100.00%
Italy	17	17	100.00%
Brazil	16	13	81.25%
Spain	16	16	100.00%

Meetings Voted by Market



Market Voting Statistics

Market	Votable Meetings	Voted Meetings	Percentage
Netherlands	14	14	100.00%
Denmark	12	9	75.00%
Mexico	10	10	100.00%
Hong Kong	8	8	100.00%
Israel	8	8	100.00%
Singapore	8	8	100.00%
Belgium	7	7	100.00%
Jersey	5	5	100.00%
Norway	5	5	100.00%
Finland	4	4	100.00%
Luxembourg	4	4	100.00%
Portugal	3	3	100.00%
Austria	2	2	100.00%
Guernsey	2	2	100.00%
Indonesia	2	2	100.00%
New Zealand	2	2	100.00%
South Korea	2	2	100.00%
Curacao	1	1	100.00%
Liberia	1	1	100.00%
Malaysia	1	1	100.00%
Panama	1	1	100.00%
Puerto Rico	1	1	100.00%
South Africa	1	1	100.00%
Virgin Isl (UK)	1	1	100.00%



Board Statistics Report



Parameters Used:
 Location(s): Sacramento County (SCERS)
 Account Group(s): All account groups
 Institution Account(s): All institution accounts
 Custodian Account(s): All custodian accounts
 Reporting Period: 10/01/2021 to 12/31/2021

Meeting Overview

Category	Number	Percentage
Number of votable meetings	153	
Number of meetings voted	146	95.42%
Number of meetings with at least 1 vote Against, Withhold or Abstain	58	37.91%

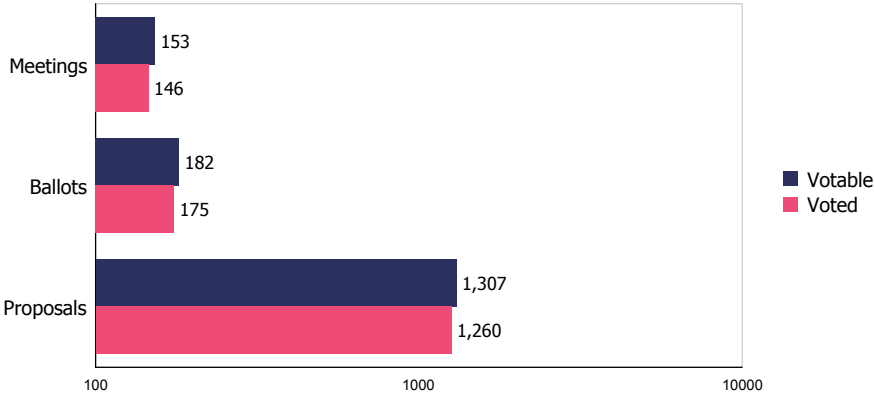
Ballot Overview

Category	Number	Percentage
Number of votable ballots	182	
Number of ballots voted	175	96.15%

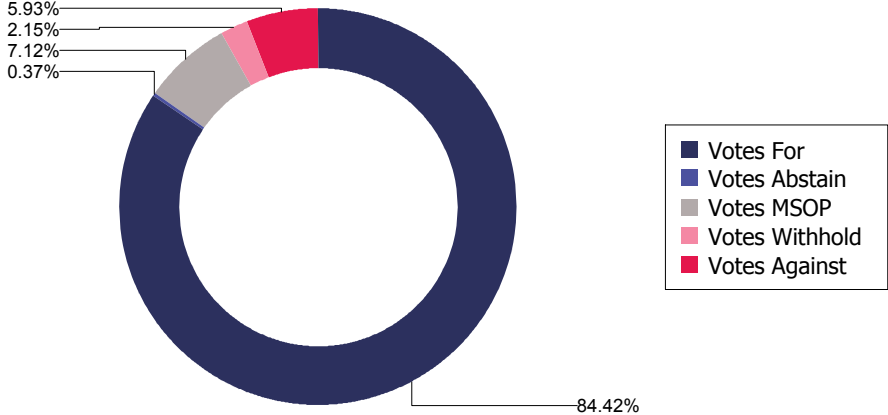
Proposal Overview

Category	Number	Percentage
Number of votable items	1,307	
Number of items voted	1,260	96.40%
Number of votes FOR	1,138	90.32%
Number of votes AGAINST	80	6.35%
Number of votes ABSTAIN	5	0.40%
Number of votes WITHHOLD	29	2.30%
Number of votes on MSOP	96	7.62%
Number of votes One Year	8	0.63%
Number of votes Two Years	0	0.00%
Number of votes Three Years	0	0.00%
Number of votes With Policy	1,260	100.00%
Number of votes Against Policy	0	0.00%
Number of votes With Mgmt	1,150	91.27%
Number of votes Against Mgmt	110	8.73%
Number of votes on Shareholder Proposals	38	3.02%

Voting Statistics



Vote Cast Statistics

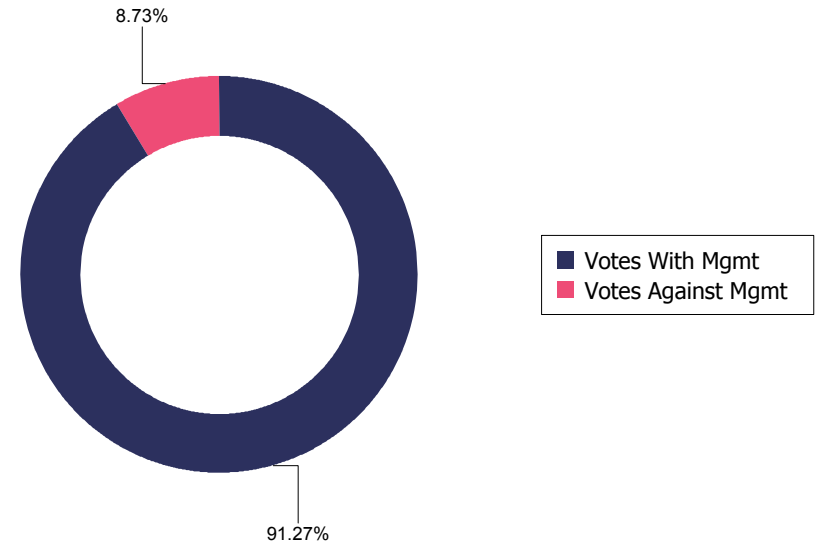


Note: Instructions of Do Not Vote are not considered voted, and in cases of different votes submitted across ballots for a given meeting, votes cast are distinctly counted by type per proposal where total votes submitted by type may be higher than unique proposals voted.

Vote Alignment with Policy

No graphical representation provided.

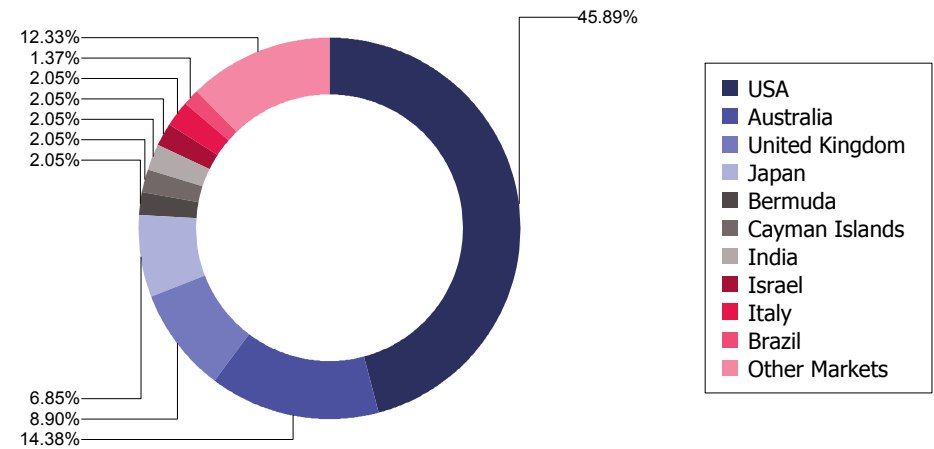
Vote Alignment with Management



Market Breakdown

Market	Votable Meetings	Voted Meetings	Percentage
USA	67	67	100.00%
Australia	21	21	100.00%
United Kingdom	13	13	100.00%
Japan	10	10	100.00%
Sweden	6	1	16.67%
Brazil	4	2	50.00%
Bermuda	3	3	100.00%
Cayman Islands	3	3	100.00%
India	3	3	100.00%
Israel	3	3	100.00%
Italy	3	3	100.00%
China	2	2	100.00%
Denmark	2	2	100.00%
Ireland	2	2	100.00%
Mexico	2	2	100.00%
Switzerland	2	2	100.00%
Belgium	1	1	100.00%

Meetings Voted by Market



Market Voting Statistics

Market	Votable Meetings	Voted Meetings	Percentage
Canada	1	1	100.00%
France	1	1	100.00%
Germany	1	1	100.00%
Hong Kong	1	1	100.00%
Jersey	1	1	100.00%
Netherlands	1	1	100.00%

