



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 10

MEETING DATE: December 7, 2022

SUBJECT: Proxy Voting Activity Report—Third Quarter 2022

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 ending September 30, 2022.

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

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 third quarter is generally a relatively quiet period for proxy voting, following the second quarter of the year, which is the primary voting period in the U.S. During the third quarter of 2022, SCERS voted in 93 meetings covering 900 proposals, compared to over 1,100 meetings and over 13,000 proposals in the second quarter. During the quarter, SCERS voted in compliance with voting guidelines 100% of the time, and voted on every meeting and proposal. It is unusual for SCERS to be able to vote on every meeting, as there are generally some international meetings/proposals where SCERS does not have the requisite authority to vote the item. The percentage of votes against management was higher compared to the third quarter of 2021, at 12.2% versus 9.3%, respectively. During the quarter, SCERS voted in meetings across 14 countries, with votes in the U.S. covering 58% of total meetings.

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.

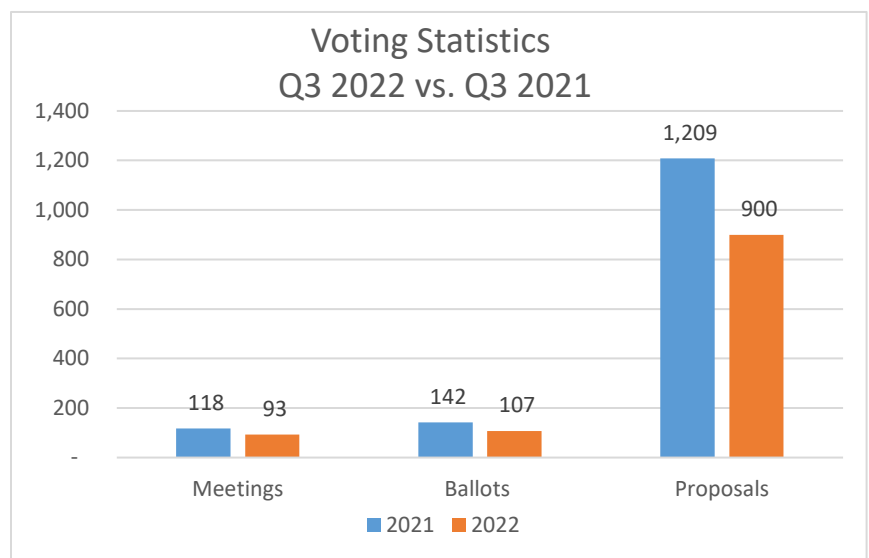
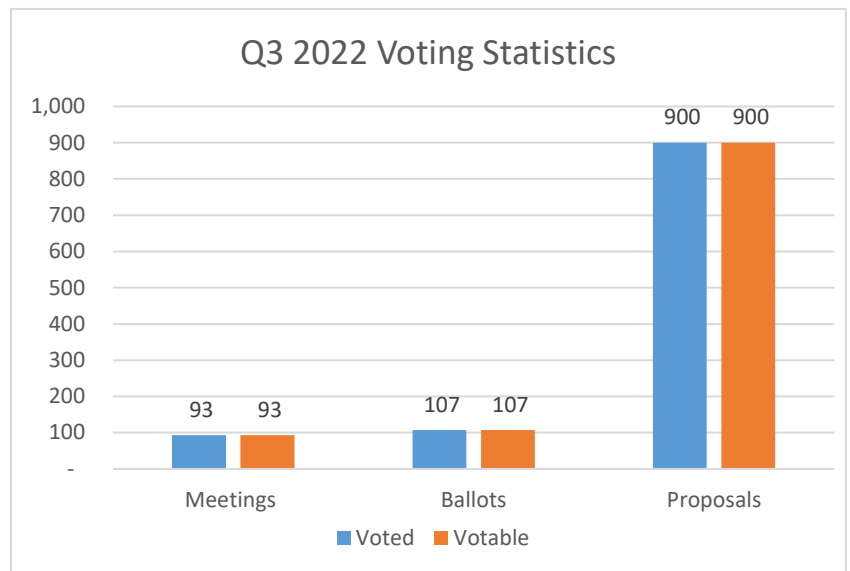
Proxy voting rights are considered valuable plan assets. As a fiduciary, SCERS is required to vote proxies in the best interests of plan participants and beneficiaries. SCERS’ Proxy Voting Policy authorizes the use of third-party proxy voting service providers such as ISS to vote proxies for public equity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

The following charts and data summarize the overall proxy voting results for the quarter ending September 30, 2022. The ISS Board Statistics report for the quarter ending September 30, 2022, is provided along with this memo.

Third Quarter 2022

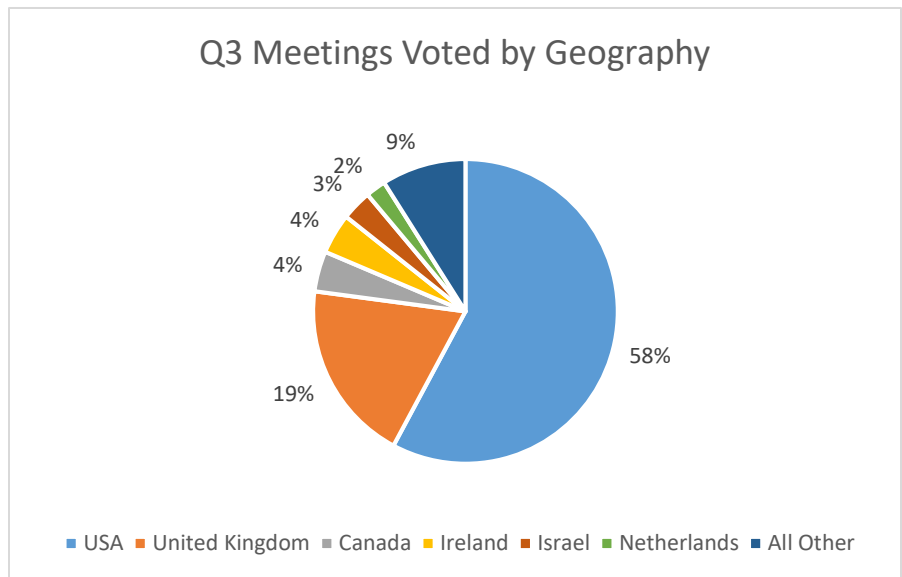
During the third quarter, SCERS voted in 100% of meetings and proposals during the quarter. There were 93 meetings and 900 proposals during the quarter, which was down approximately 25% from the prior year. Part of the decline can be attributed to the conversion of SCERS’ international small cap growth equity account from a custodied account to a commingled fund in the first half of the year. The conversion to a commingled fund reduced the number of direct holdings across international countries, reducing the number of proxy voting items. Also worth noting is that voting on 100% of meetings/proposals is unusual, as typically there are international countries where SCERS cannot vote the proxies due to legal requirements.

During the third quarter, SCERS voted with management on 87.8% of proposals and voted against management 12.2% of the time. The percentage of votes against management was higher compared to the third quarter of 2021. For the votes against management, most of the votes related to compensation-related matters or the election of directors.



All votes cast during the quarter were in accordance with SCERS’ approved proxy voting guidelines.

On a geographic basis, 58% of the meetings voted on were for U.S.-based companies, followed by the United Kingdom at 19%. Votes for all other individual countries represented less than 5% of votes during the quarter.



ATTACHMENT

- ISS Board Statistics Report for the quarter ending September 30, 2022.

Prepared by:

/S/

Brian Miller
Senior Investment Officer

Reviewed by:

/S/

Steve Davis
Chief Investment Officer

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
December 7, 2022**

AGENDA ITEM:

Proxy Voting Activity Report – Third Quarter 2022

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to receive and file the Proxy Voting Activity Report – Third Quarter 2022.

I HEREBY CERTIFY that the above order was passed and adopted on December 7, 2022 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:

(Present but not voting)

Keith DeVore
Board President

Eric Stern
Chief Executive Officer and
Board Secretary

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: 07/01/2022 to 09/30/2022

Meeting Overview

| Category | Number | Percentage |
|--|--------|------------|
| Number of votable meetings | 93 | |
| Number of meetings voted | 93 | 100.00% |
| Number of meetings with at least 1 vote Against, Withhold or Abstain | 39 | 41.94% |

Ballot Overview

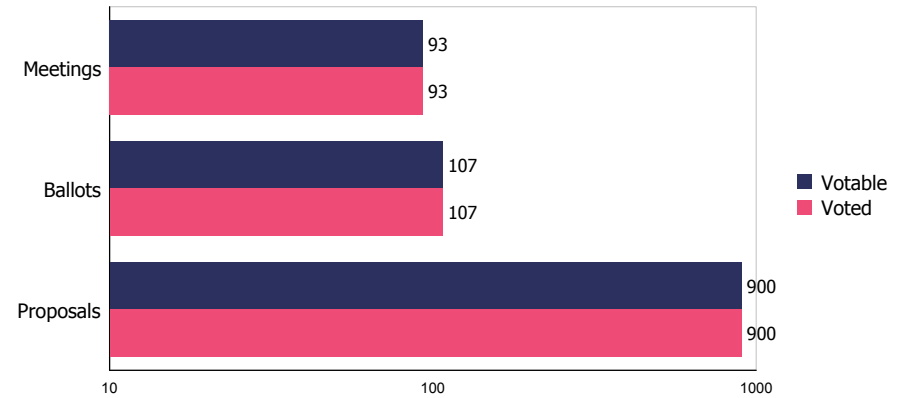
| Category | Number | Percentage |
|---------------------------|--------|------------|
| Number of votable ballots | 107 | |
| Number of ballots voted | 107 | 100.00% |

Proposal Overview

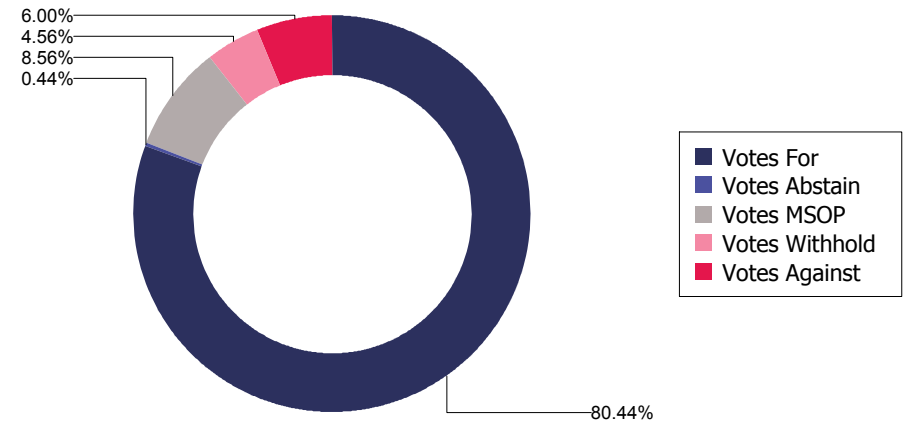
| Category | Number | Percentage |
|--|--------|------------|
| Number of votable items | 900 | |
| Number of items voted | 900 | 100.00% |
| Number of votes FOR | 724 | 80.44% |
| Number of votes AGAINST | 54 | 6.00% |
| Number of votes ABSTAIN | 4 | 0.44% |
| Number of votes WITHHOLD | 41 | 4.56% |
| Number of votes on MSOP | 77 | 8.56% |
| Number of votes With Policy | 900 | 100.00% |
| Number of votes Against Policy | 0 | 0.00% |
| Number of votes With Mgmt | 790 | 87.78% |
| Number of votes Against Mgmt | 110 | 12.22% |
| Number of votes on Shareholder Proposals | 32 | 3.56% |

Notes: Instructions of Do Not Vote are not considered voted. Frequency on Pay votes of 1, 2, 3 years are counted by type (For, Against, etc.) per proposal. Votes on MSOP proposals will only be counted as a vote on MSOP and not as the actual vote cast (For, Against, etc.) per proposal to avoid duplication of data. In cases of different votes submitted across ballots for a single meeting, votes cast are distinctly counted by type (For, Against, etc.) per proposal. So, a meeting may have inflated total votes submitted than unique proposals voted.

Voting Statistics



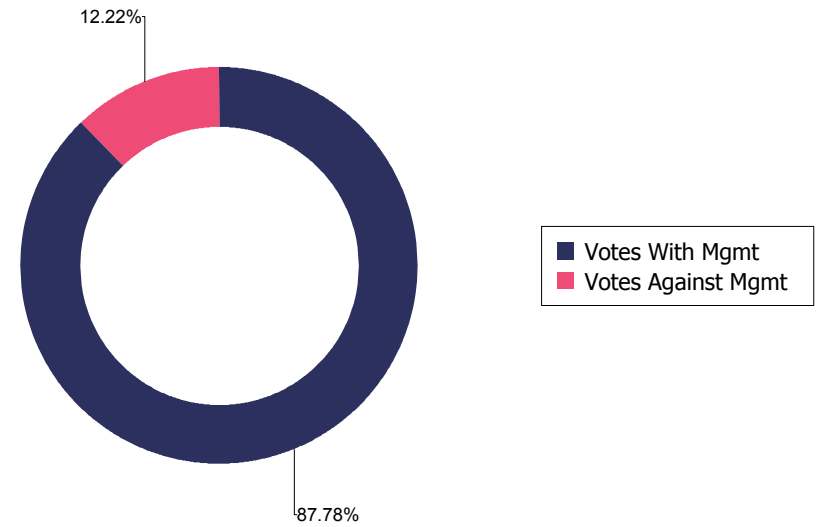
Vote Cast Statistics



Vote Alignment with Policy

No graphical representation provided.

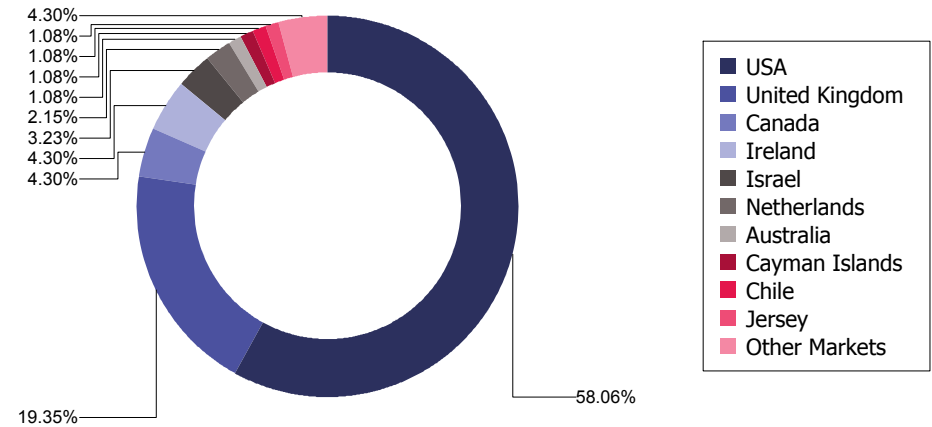
Vote Alignment with Management



Market Breakdown

| Market | Votable Meetings | Voted Meetings | Percentage |
|-----------------|------------------|----------------|------------|
| USA | 54 | 54 | 100.00% |
| United Kingdom | 18 | 18 | 100.00% |
| Canada | 4 | 4 | 100.00% |
| Ireland | 4 | 4 | 100.00% |
| Israel | 3 | 3 | 100.00% |
| Netherlands | 2 | 2 | 100.00% |
| Australia | 1 | 1 | 100.00% |
| Cayman Islands | 1 | 1 | 100.00% |
| Chile | 1 | 1 | 100.00% |
| Jersey | 1 | 1 | 100.00% |
| Singapore | 1 | 1 | 100.00% |
| Spain | 1 | 1 | 100.00% |
| Switzerland | 1 | 1 | 100.00% |
| Virgin Isl (UK) | 1 | 1 | 100.00% |

Meetings Voted by Market



Market Voting Statistics

