



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 11

**MEETING DATE:** February 19, 2020

**SUBJECT:** Proxy Voting Activity Report—Fourth Quarter 2019

**SUBMITTED FOR:**  Consent       Deliberation and Action       Receive and File

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#### **RECOMMENDATION**

Staff recommends the Board receive and file the report summarizing SCERS' proxy voting results for the quarter and year ending December 31, 2019.

#### **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**

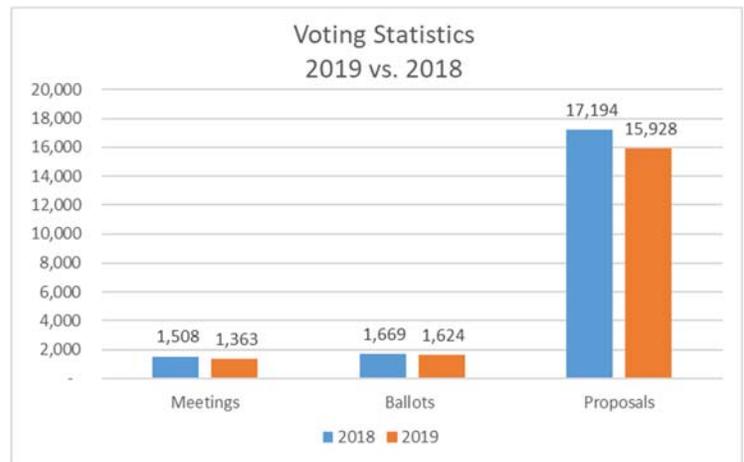
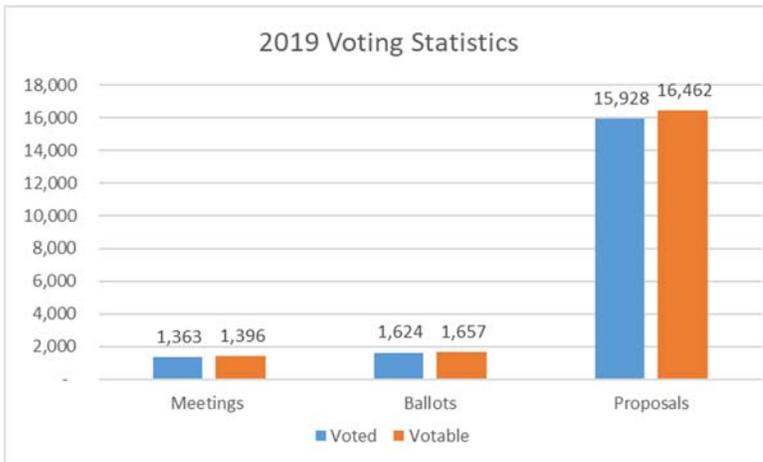
Proxy voting is a way for shareholders to vote on corporate actions when they are not able to attend a company's annual meeting (i.e. vote via proxy). With institutional investors holding highly diversified portfolios, voting via proxy has become standard practice. For example, SCERS has an ownership 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, 2019. ISS Board Statistics reports for the year and quarter ending December 31, 2019, are provided along with this memo.

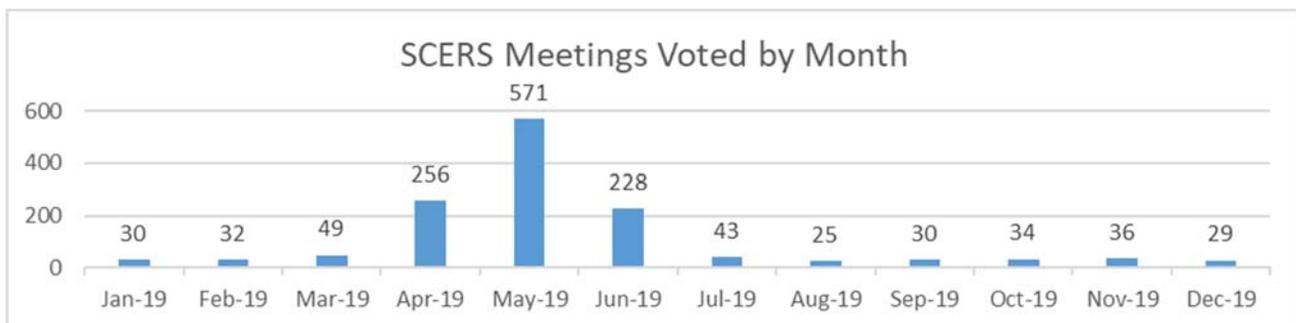
Calendar Year 2019

For the year ending December 31, 2019, SCERS voted in 98% of meetings where SCERS had an ownership interest and was eligible to vote (1,363 meetings out of 1,396 votable meetings during the year). The votable meetings included 1,657 ballots and 16,462 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 97% of proposals during the year. For the meetings not voted on, the majority relate to foreign countries such as Sweden and Denmark where SCERS does not have the requisite power of attorney necessary to vote the meetings.



During 2019, the number of meetings, ballots, and proposals declined from the prior year. SCERS restructured its domestic and international equity portfolios during 2018 and early 2019, which consolidated or eliminated multiple investment strategies, and reduced the number of investment managers across the portfolios. The restructuring of the equity portfolios was the most likely cause of the reduced number of meetings and ballots during 2019.

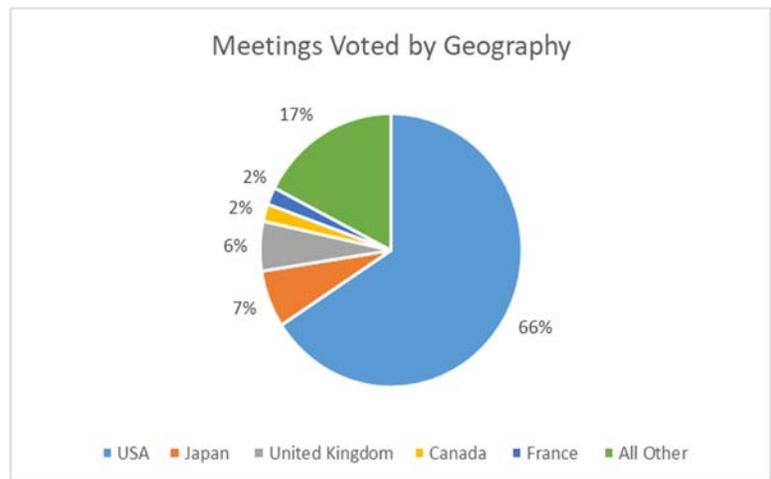
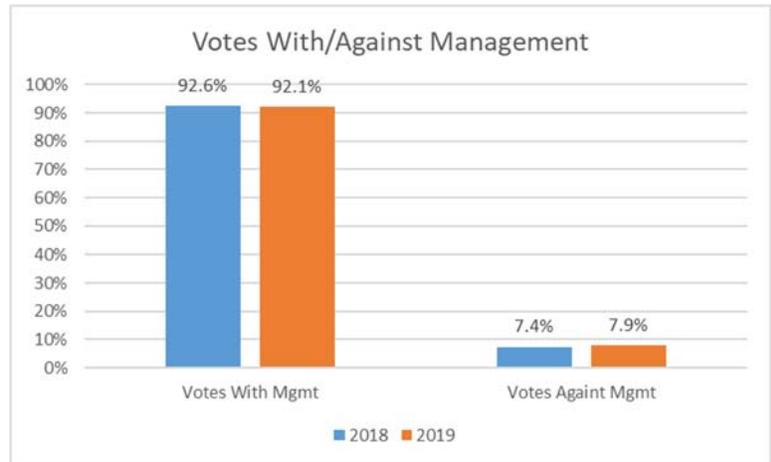
The majority of company meetings are held during the months of April through June. At the beginning of the calendar year, ISS updates their voting guidelines to be aligned with current industry standards and taking into account significant issues in the current and prior year. These updated guidelines 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 92.1% of proposals during the year and voted against management on 7.9% of proposals. This is only slightly different from voting results in the prior year.

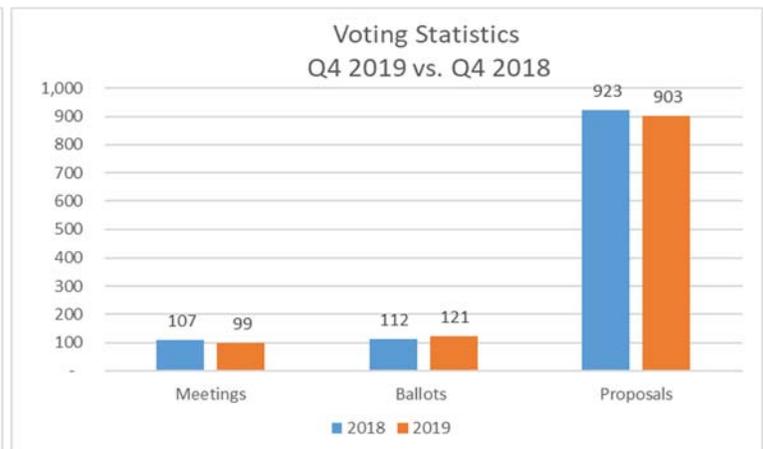
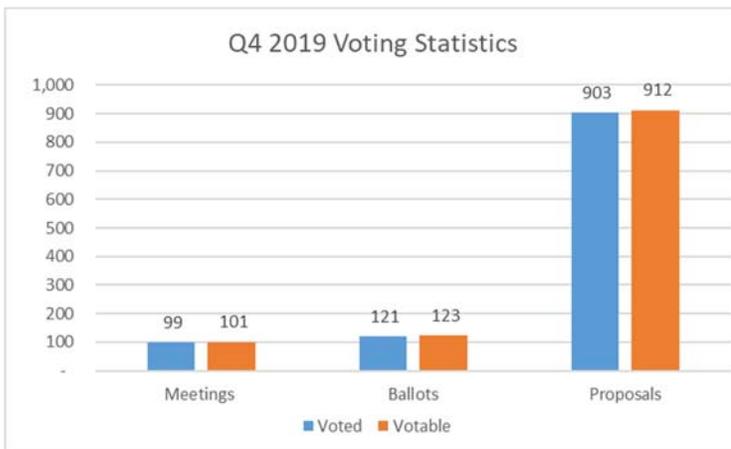
During the year, SCERS needed to take action on 15 votes where ISS could not issue a recommendation. These votes were primarily instances where SCERS needed to clarify that it was an institutional investor and was not an officer and/or did not have a personal interest in the company.

On a geographic basis, the U.S. comprised the vast majority of meetings during the year, at approximately 66% of total meetings voted. Following the U.S., the countries with the greatest number of meetings were Japan and the United Kingdom, at 7% and 6% of voted meetings, respectively. No other single country made up more than 2% of total voted meetings during the year. In total, SCERS voted on meetings across 42 different countries.

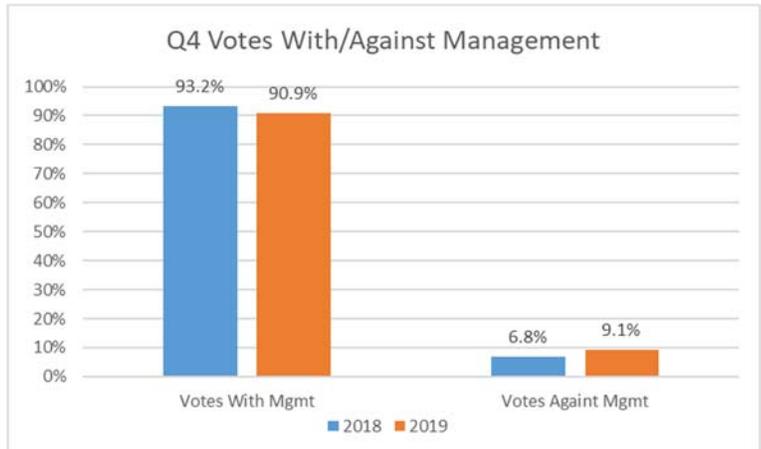


Fourth Quarter 2019

During the fourth quarter, SCERS voted in 99 out of 101 votable meetings (98%). The meetings voted on included 121 ballots and 903 proposals. SCERS voted on over 98% of ballots and 99% of meetings during the quarter. The two 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) or other documentation on file to complete the voting process. The number of meetings and proposals voted on were slightly lower than during the fourth quarter of 2018.

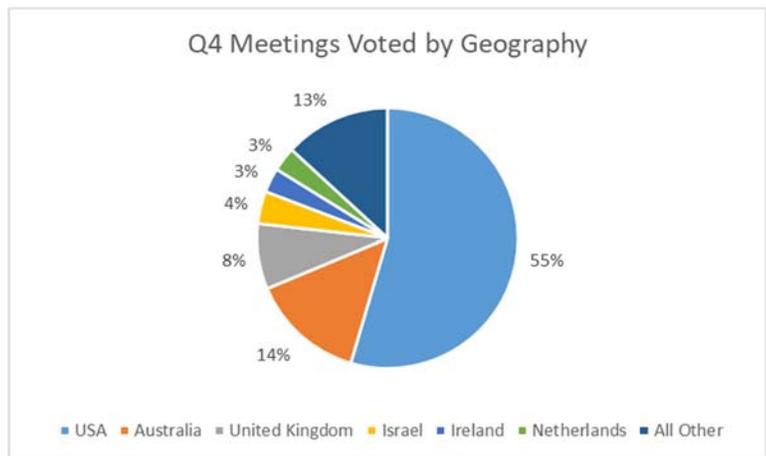


During the fourth quarter, SCERS voted with management on 93.2% of proposals and voted against management 6.8% of the time. The percentage of votes against management slightly increased compared to the fourth quarter of 2018. For the votes against management, most of the votes related to the election of directors or compensation related matters.



There were only three votes during the quarter that required SCERS to take action. These were all votes 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, 55% of the meetings voted on were for U.S. based companies, followed by Australia (14%) and the United Kingdom (8%). SCERS voted on meetings in 18 countries during the quarter.



**ATTACHMENT**

- ISS Board Statistics Report for the year ending December 31, 2019.
- ISS Board Statistics Report for the quarter ending December 31, 2019.

Prepared by:

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 Brian Miller  
 Investment Officer

Reviewed by:

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 Steve Davis  
 Chief Investment Officer

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 Eric Stern  
 Chief Executive Officer

# 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: 01/01/2019 to 12/31/2019

## Meeting Overview

Category	Number	Percentage
Number of votable meetings	1,396	
Number of meetings voted	1,363	97.64%
Number of meetings with at least 1 vote Against, Withhold or Abstain	490	35.10%

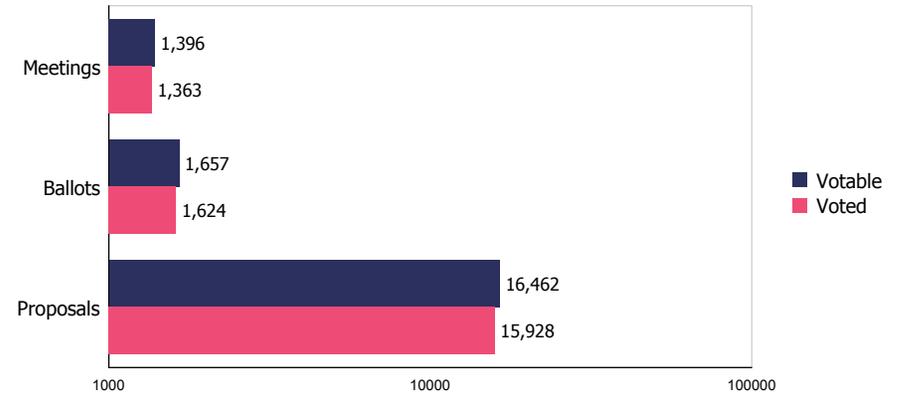
## Ballot Overview

Category	Number	Percentage
Number of votable ballots	1,657	
Number of ballots voted	1,624	98.01%

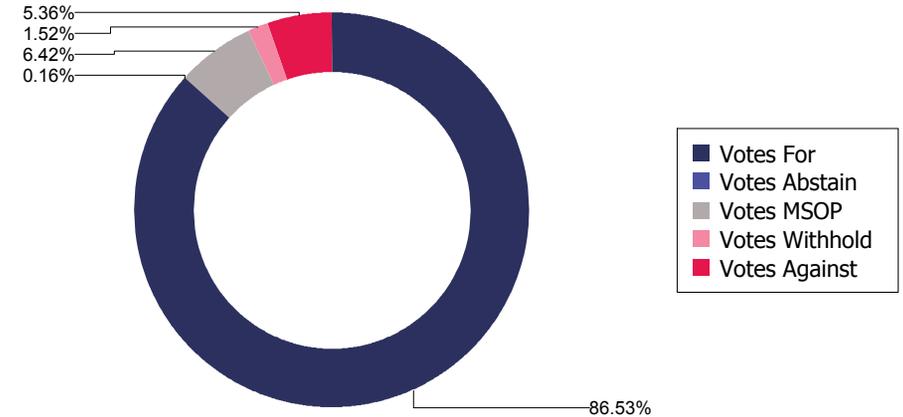
## Proposal Overview

Category	Number	Percentage
Number of votable items	16,462	
Number of items voted	15,928	96.76%
Number of votes FOR	14,698	92.28%
Number of votes AGAINST	911	5.72%
Number of votes ABSTAIN	28	0.18%
Number of votes WITHHOLD	258	1.62%
Number of votes on MSOP	1,091	6.85%
Number of votes One Year	33	0.21%
Number of votes Two Years	0	0.00%
Number of votes Three Years	0	0.00%
Number of votes With Policy	15,927	99.99%
Number of votes Against Policy	1	0.01%
Number of votes With Mgmt	14,669	92.10%
Number of votes Against Mgmt	1,259	7.90%
Number of votes on Shareholder Proposals	428	2.69%

## Voting Statistics

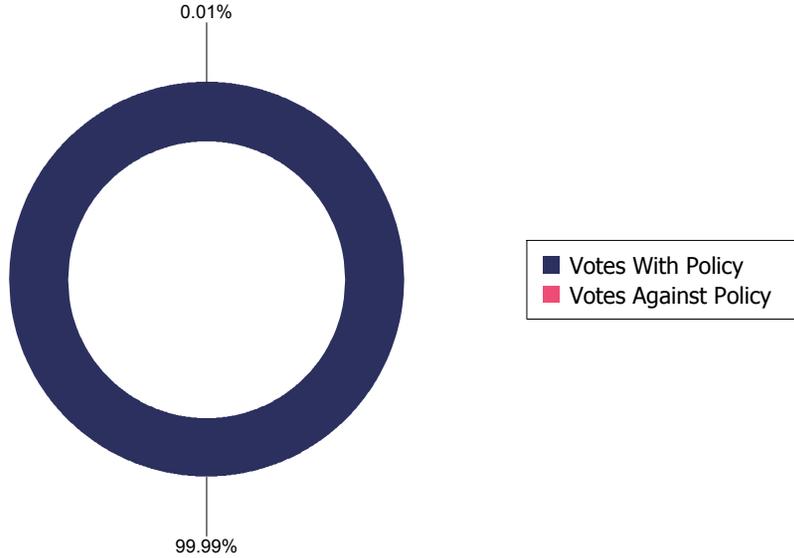


## Vote Cast Statistics

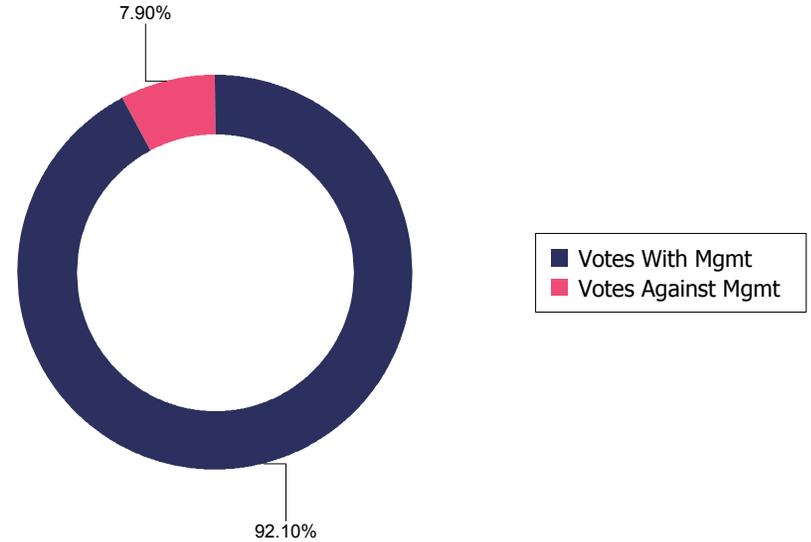


Note: Instructions of Do Not Vote are not considered voted, and in cases of different votes submitted across ballots for a given meeting, votes cast are distinctly counted by type per proposal where total votes submitted by type may be higher than unique proposals voted.

### Vote Alignment with Policy



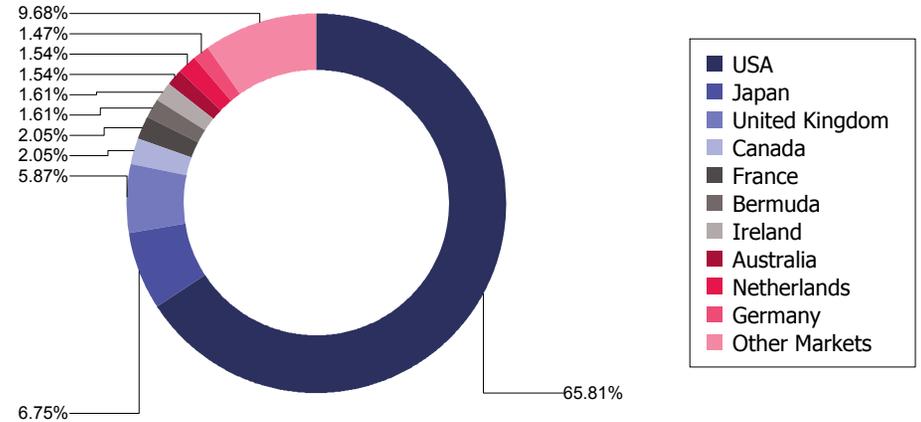
### Vote Alignment with Management



### Market Breakdown

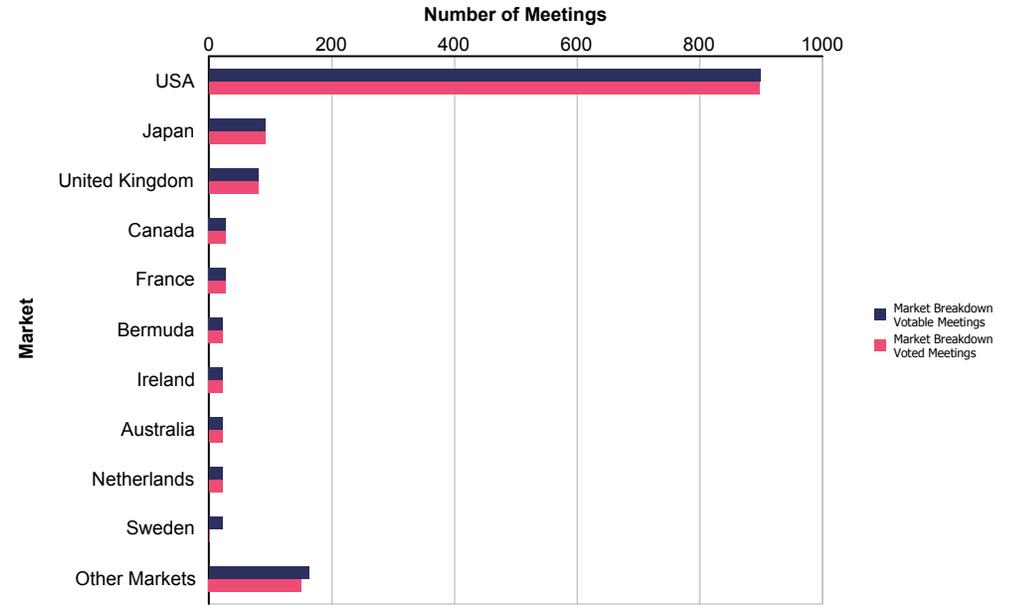
Market	Votable Meetings	Voted Meetings	Percentage
USA	898	897	99.89%
Japan	92	92	100.00%
United Kingdom	80	80	100.00%
Canada	28	28	100.00%
France	28	28	100.00%
Bermuda	22	22	100.00%
Ireland	22	22	100.00%
Australia	21	21	100.00%
Netherlands	21	21	100.00%
Sweden	21	1	4.76%
Germany	20	20	100.00%
Switzerland	18	18	100.00%
Israel	13	13	100.00%
Cayman Islands	12	12	100.00%
Denmark	12	4	33.33%
Italy	9	9	100.00%
Spain	9	9	100.00%

### Meetings Voted by Market



### Market Voting Statistics

Market	Votable Meetings	Voted Meetings	Percentage
Brazil	8	4	50.00%
Belgium	6	6	100.00%
Finland	6	6	100.00%
Hong Kong	6	6	100.00%
New Zealand	5	5	100.00%
Singapore	5	5	100.00%
Luxembourg	4	4	100.00%
Austria	3	3	100.00%
China	3	3	100.00%
Jersey	3	3	100.00%
Faroe Islands	2	2	100.00%
Guernsey	2	2	100.00%
India	2	2	100.00%
Mexico	2	2	100.00%
Norway	2	2	100.00%
South Africa	2	2	100.00%
Curacao	1	1	100.00%
Liberia	1	1	100.00%
Liechtenstein	1	1	100.00%
Panama	1	1	100.00%
Philippines	1	1	100.00%
Portugal	1	1	100.00%
Puerto Rico	1	1	100.00%
Thailand	1	1	100.00%
Virgin Isl (UK)	1	1	100.00%



# Board Statistics Report



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 Reporting Period: 10/01/2019 to 12/31/2019

## Meeting Overview

Category	Number	Percentage
Number of votable meetings	101	
Number of meetings voted	99	98.02%
Number of meetings with at least 1 vote Against, Withhold or Abstain	40	39.60%

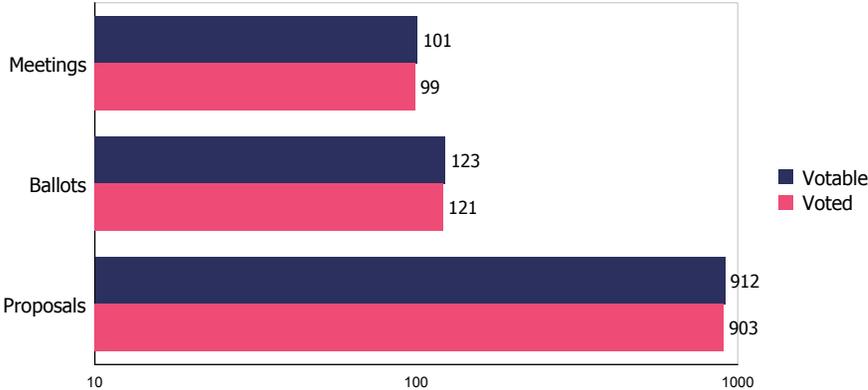
## Ballot Overview

Category	Number	Percentage
Number of votable ballots	123	
Number of ballots voted	121	98.37%

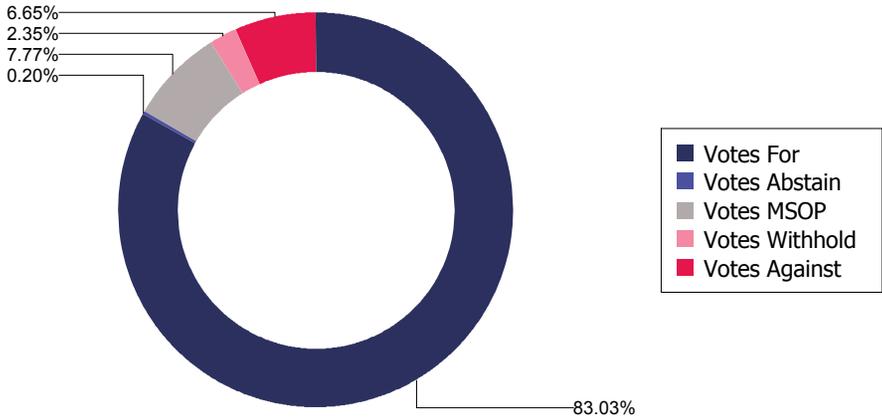
## Proposal Overview

Category	Number	Percentage
Number of votable items	912	
Number of items voted	903	99.01%
Number of votes FOR	812	89.92%
Number of votes AGAINST	65	7.20%
Number of votes ABSTAIN	2	0.22%
Number of votes WITHHOLD	23	2.55%
Number of votes on MSOP	76	8.42%
Number of votes One Year	1	0.11%
Number of votes Two Years	0	0.00%
Number of votes Three Years	0	0.00%
Number of votes With Policy	903	100.00%
Number of votes Against Policy	0	0.00%
Number of votes With Mgmt	821	90.92%
Number of votes Against Mgmt	82	9.08%
Number of votes on Shareholder Proposals	12	1.33%

## Voting Statistics



## Vote Cast Statistics

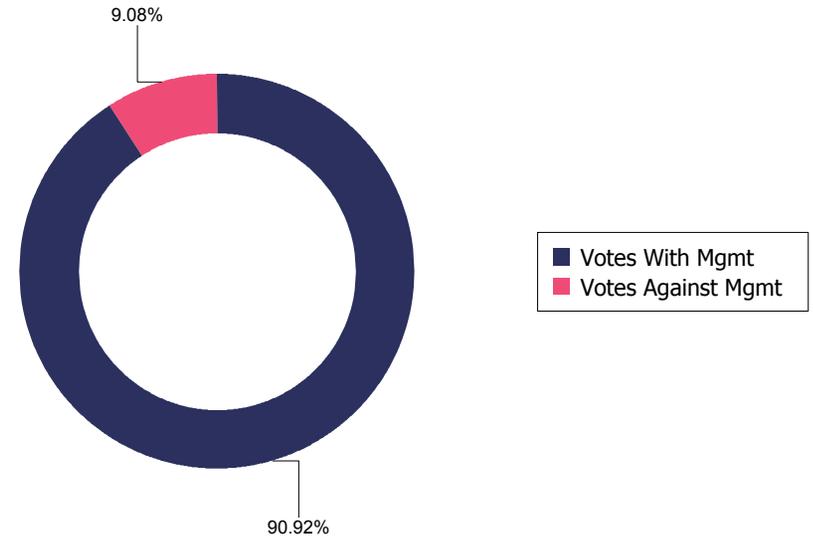


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### Vote Alignment with Policy

No graphical representation provided.

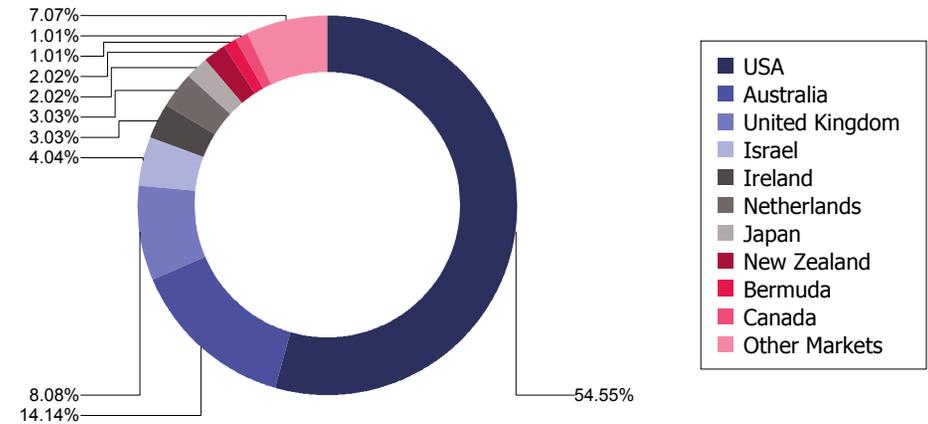
### Vote Alignment with Management



### Market Breakdown

Market	Votable Meetings	Voted Meetings	Percentage
USA	55	54	98.18%
Australia	14	14	100.00%
United Kingdom	8	8	100.00%
Israel	4	4	100.00%
Ireland	3	3	100.00%
Netherlands	3	3	100.00%
Japan	2	2	100.00%
New Zealand	2	2	100.00%
Bermuda	1	1	100.00%
Canada	1	1	100.00%
Cayman Islands	1	1	100.00%
Denmark	1	1	100.00%
Faroe Islands	1	1	100.00%
India	1	1	100.00%
Italy	1	1	100.00%
Singapore	1	1	100.00%
South Africa	1	1	100.00%

### Meetings Voted by Market



### Market Voting Statistics

Market	Votable Meetings	Voted Meetings	Percentage
Sweden	1	0	0.00%

