



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 10

**MEETING DATE:** February 17, 2021

**SUBJECT:** Proxy Voting Activity Report – Fourth Quarter 2020

**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, 2020.

### **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**

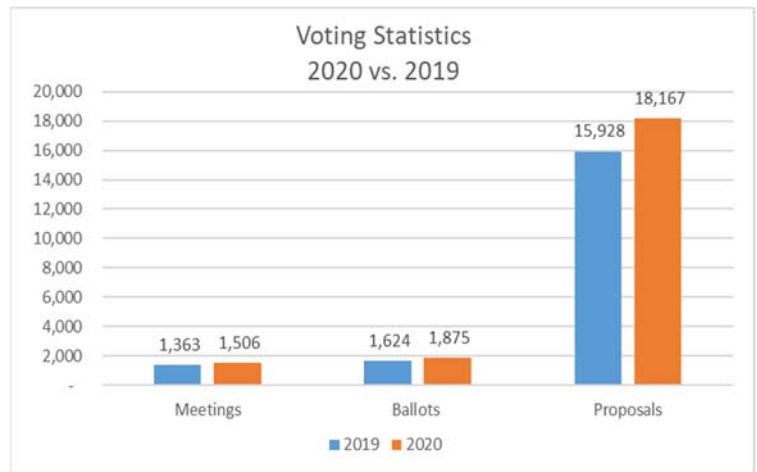
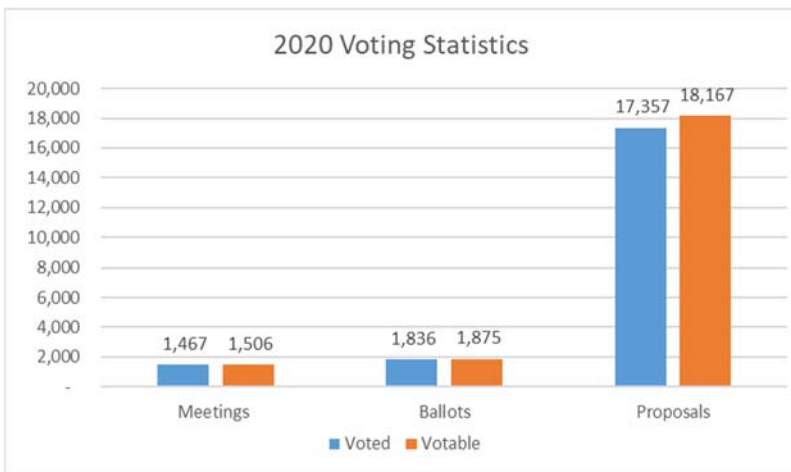
Proxy voting is a way for shareholders to vote on corporate actions when they are not able to attend a company's annual meeting (i.e. vote via proxy). With institutional investors holding highly diversified portfolios, voting via proxy has become standard practice. For example, SCERS has an ownership 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, 2020. ISS Board Statistics reports for the year and quarter ending December 31, 2020, are provided along with this memo.

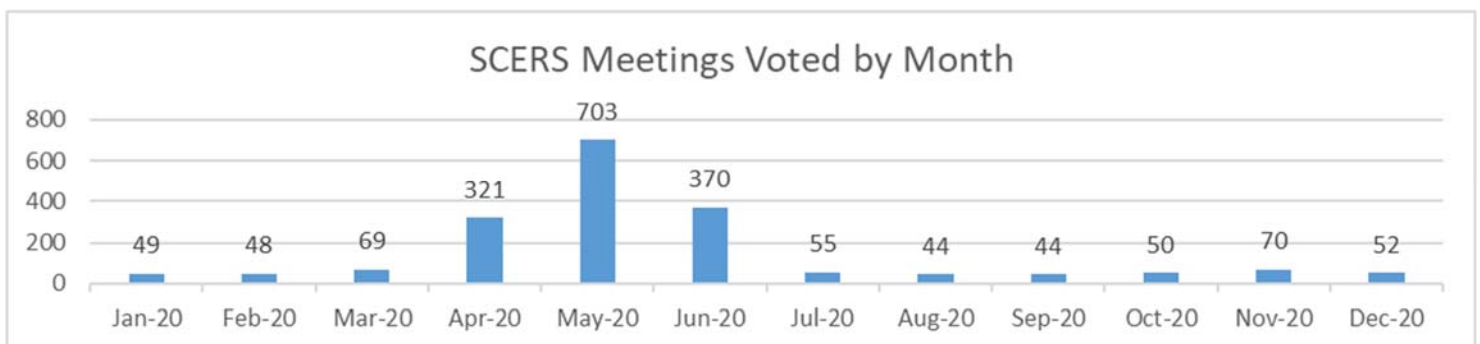
Calendar Year 2020

For the year ending December 31, 2020, SCERS voted in 97% of meetings where SCERS had an ownership interest and was eligible to vote (1,467 meetings out of 1,506 votable meetings during the year). The votable meetings included 1,875 ballots and 18,167 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 96% 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 2020, the number of meetings, ballots, and proposals increased from the prior year. With no significant restructuring of SCERS’ equity portfolios during 2020, the increase in meetings and ballots is a result of increased activity by companies within the portfolio. The most significant change during the year was the shift to virtual-only meetings. According to ISS data, over 60% of companies held virtual-only annual meetings in 2020, compared to less than 10% in 2019.

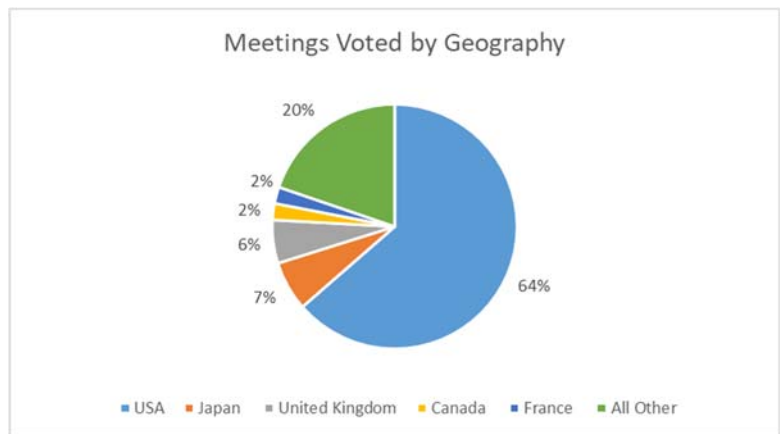
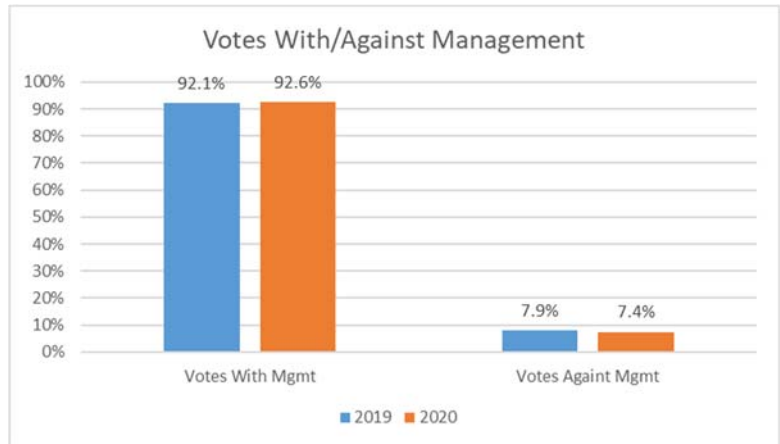
The majority of company meetings are held during the months of April through June. At the beginning of the calendar year, ISS updates their voting guidelines to be aligned with current industry standards and taking into account significant issues in the current and prior year. These updated guidelines 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 92.6% of proposals during the year and voted against management on 7.4% of proposals. This is only slightly different from voting results in the prior year.

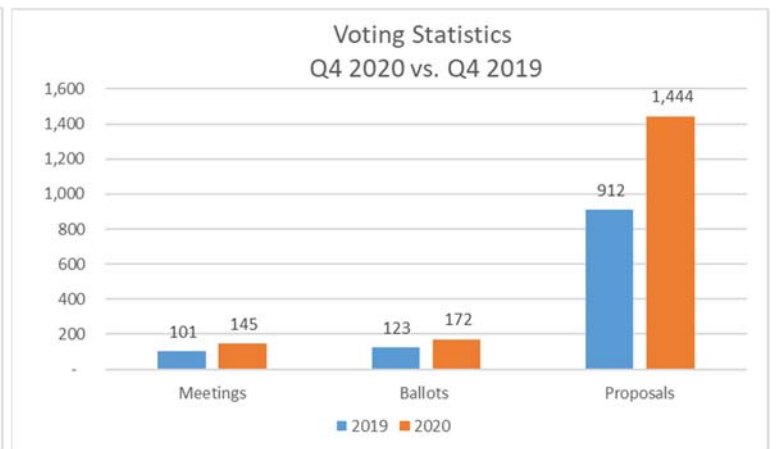
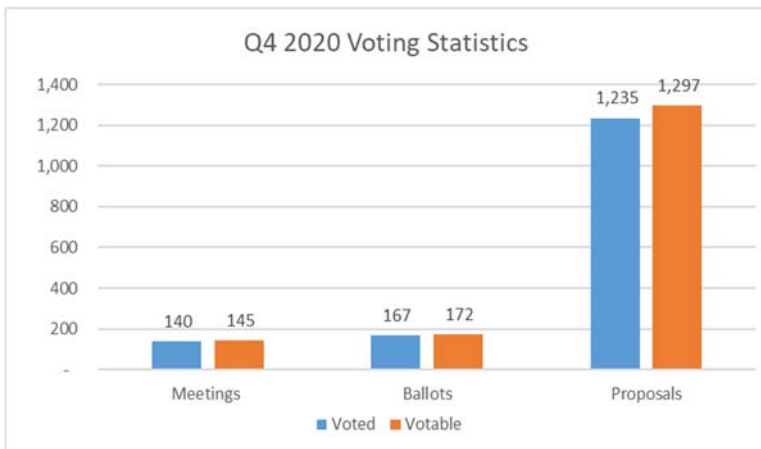
During the year, SCERS needed to take action on 13 votes where ISS could not issue a recommendation. These votes were primarily instances where SCERS needed to clarify that it was an institutional investor and was not an officer and/or did not have a personal interest in the company. There were no votes during 2020 that went against SCERS' voting policy.

On a geographic basis, the U.S. comprised the vast majority of meetings during the year, at approximately 64% 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 40 different countries.



Fourth Quarter 2020

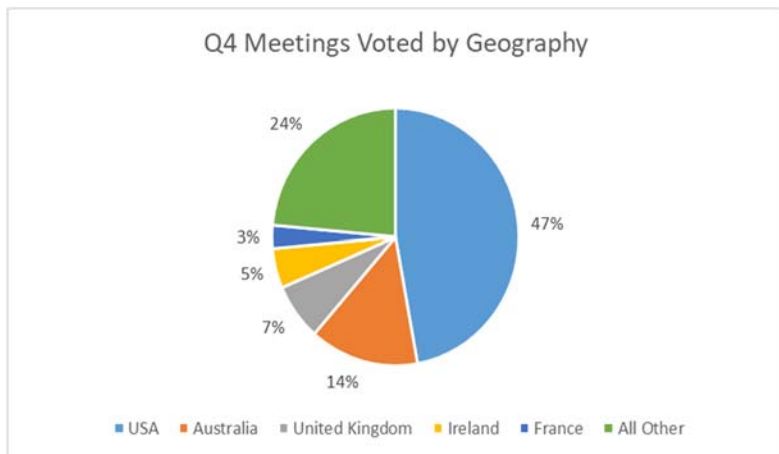
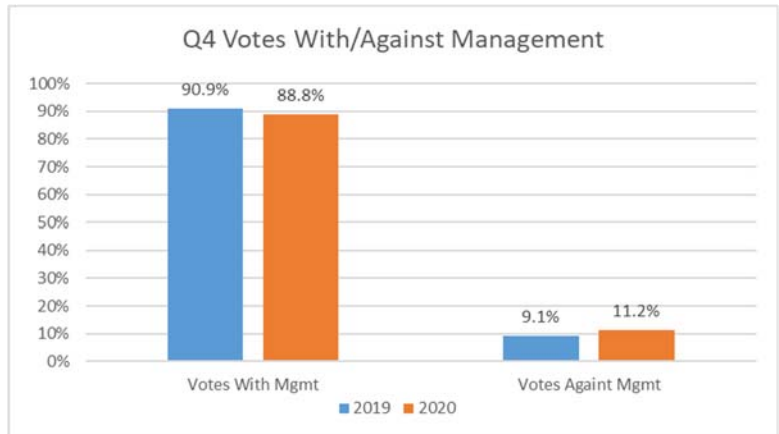
During the fourth quarter, SCERS voted in 140 out of 145 votable meetings (97%). The meetings voted on included 172 ballots and 1,297 proposals. SCERS voted on over 97% of ballots and 95% of proposals during the quarter. The meetings that were not voted on during the quarter were due to SCERS not having the requisite power of attorney (common in some foreign markets) or other documentation on file to complete the voting process. The number of meetings and proposals voted on were higher than during the fourth quarter of 2019.



During the fourth quarter, SCERS voted with management on 88.8% of proposals and voted against management 11.2% of the time. The percentage of votes against management increased compared to the fourth quarter of 2019. 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, 47% of the meetings voted on were for U.S. based companies, followed by Australia (14%) and the United Kingdom (7%). SCERS voted on meetings in 22 countries during the quarter.



**ATTACHMENT**

- ISS Board Statistics Report for the year ending December 31, 2020.
- ISS Board Statistics Report for the quarter ending December 31, 2020.

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: 01/01/2020 to 12/31/2020

## Meeting Overview

Category	Number	Percentage
Number of votable meetings	1,506	
Number of meetings voted	1,467	97.41%
Number of meetings with at least 1 vote Against, Withhold or Abstain	514	34.13%

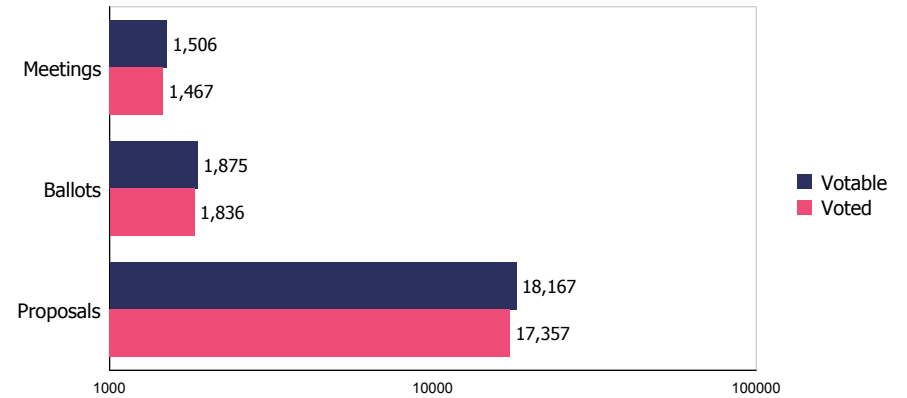
## Ballot Overview

Category	Number	Percentage
Number of votable ballots	1,875	
Number of ballots voted	1,836	97.92%

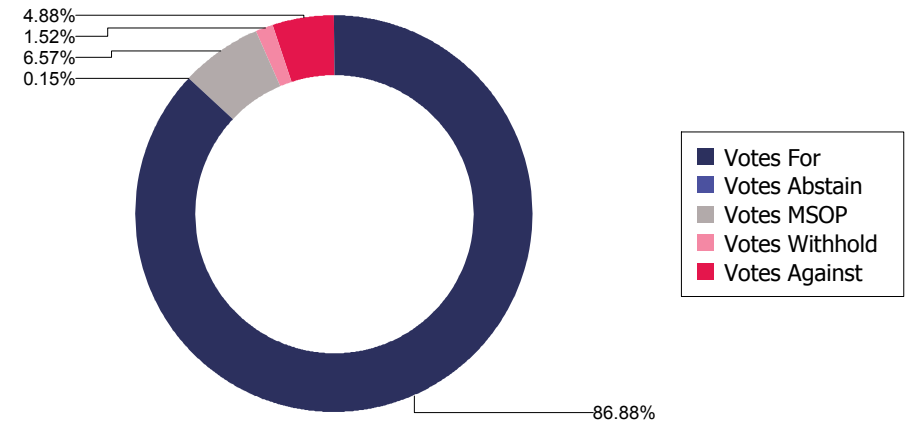
## Proposal Overview

Category	Number	Percentage
Number of votable items	18,167	
Number of items voted	17,357	95.54%
Number of votes FOR	16,091	92.71%
Number of votes AGAINST	903	5.20%
Number of votes ABSTAIN	28	0.16%
Number of votes WITHHOLD	281	1.62%
Number of votes on MSOP	1,217	7.01%
Number of votes One Year	54	0.31%
Number of votes Two Years	0	0.00%
Number of votes Three Years	0	0.00%
Number of votes With Policy	17,357	100.00%
Number of votes Against Policy	0	0.00%
Number of votes With Mgmt	16,079	92.64%
Number of votes Against Mgmt	1,278	7.36%
Number of votes on Shareholder Proposals	504	2.90%

## Voting Statistics



## Vote Cast Statistics

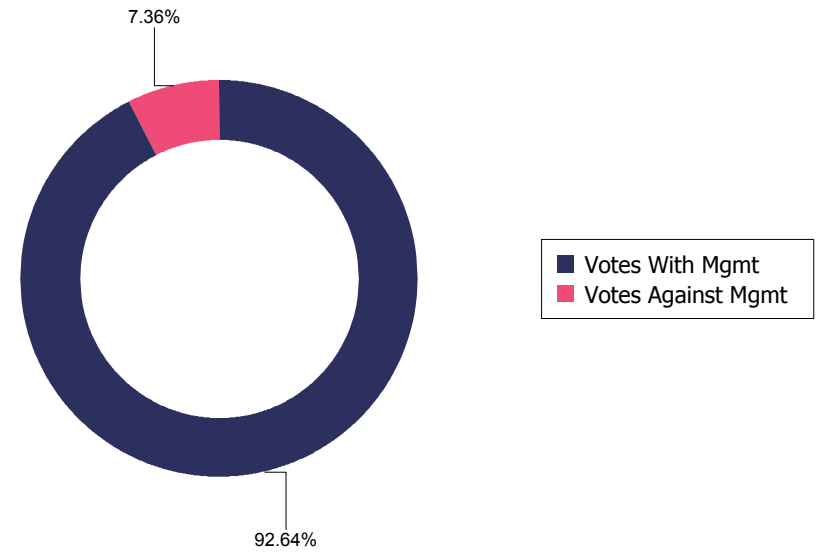


Note: Instructions of Do Not Vote are not considered voted, and in cases of different votes submitted across ballots for a given meeting, votes cast are distinctly counted by type per proposal where total votes submitted by type may be higher than unique proposals voted.

### Vote Alignment with Policy

No graphical representation provided.

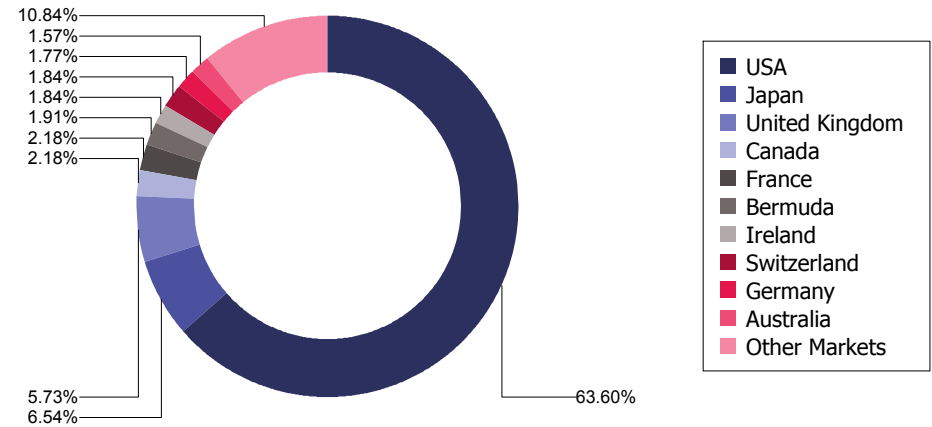
### Vote Alignment with Management



### Market Breakdown

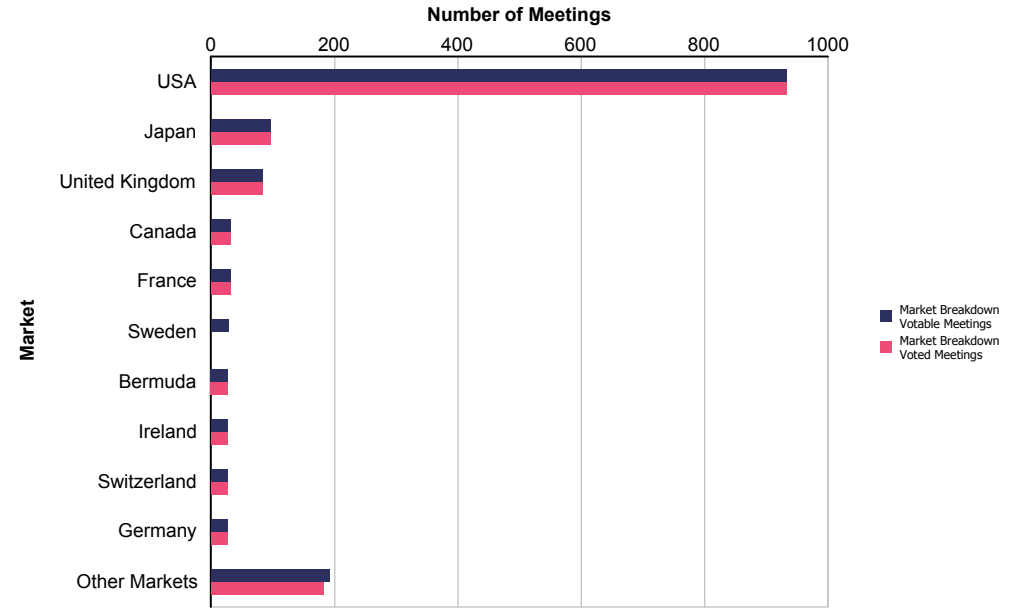
Market	Votable Meetings	Voted Meetings	Percentage
USA	933	933	100.00%
Japan	96	96	100.00%
United Kingdom	84	84	100.00%
Canada	32	32	100.00%
France	32	32	100.00%
Sweden	29	0	0.00%
Bermuda	28	28	100.00%
Ireland	27	27	100.00%
Switzerland	27	27	100.00%
Germany	26	26	100.00%
Australia	23	23	100.00%
Netherlands	18	18	100.00%
Cayman Islands	16	16	100.00%
Denmark	15	7	46.67%
Spain	13	13	100.00%
Israel	12	12	100.00%
Italy	12	12	100.00%

### Meetings Voted by Market



### Market Voting Statistics

Market	Votable Meetings	Voted Meetings	Percentage
China	9	9	100.00%
Hong Kong	8	8	100.00%
India	8	8	100.00%
Jersey	7	7	100.00%
Singapore	7	7	100.00%
Brazil	6	4	66.67%
Belgium	5	5	100.00%
Finland	4	4	100.00%
Luxembourg	4	4	100.00%
Mexico	4	4	100.00%
Norway	4	4	100.00%
New Zealand	3	3	100.00%
Austria	2	2	100.00%
Guernsey	2	2	100.00%
Portugal	2	2	100.00%
Curacao	1	1	100.00%
Faroe Islands	1	1	100.00%
Greece	1	1	100.00%
Panama	1	1	100.00%
Puerto Rico	1	1	100.00%
South Africa	1	1	100.00%
South Korea	1	1	100.00%
Virgin Isl (UK)	1	1	100.00%



# Board Statistics Report



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## Meeting Overview

Category	Number	Percentage
Number of votable meetings	145	
Number of meetings voted	140	96.55%
Number of meetings with at least 1 vote Against, Withhold or Abstain	55	37.93%

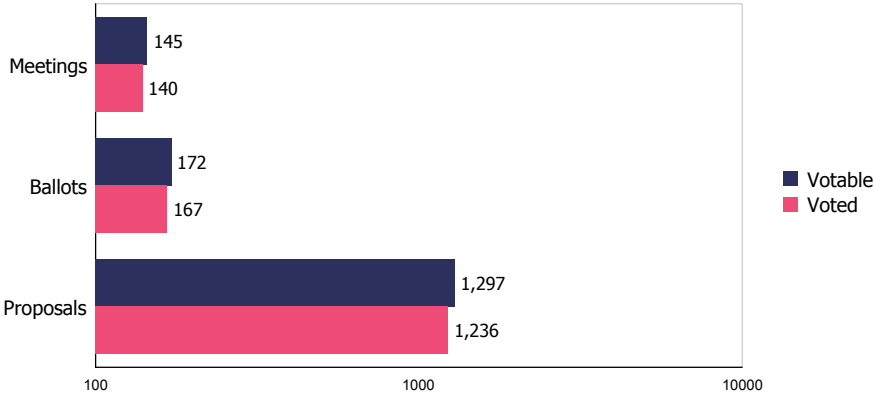
## Ballot Overview

Category	Number	Percentage
Number of votable ballots	172	
Number of ballots voted	167	97.09%

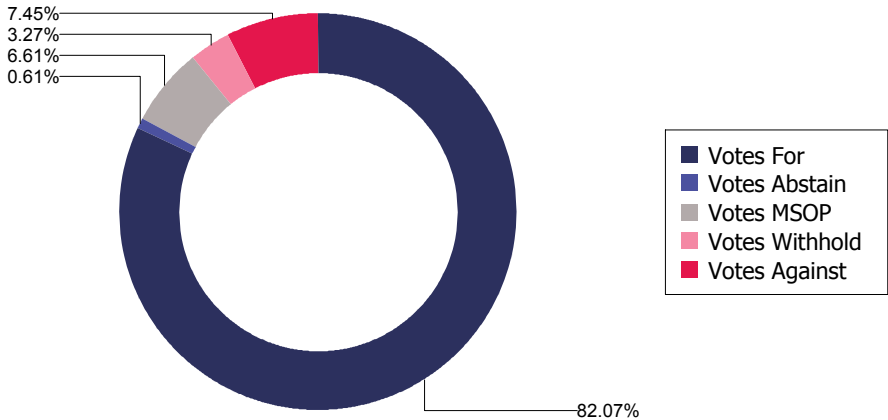
## Proposal Overview

Category	Number	Percentage
Number of votable items	1,297	
Number of items voted	1,236	95.30%
Number of votes FOR	1,080	87.38%
Number of votes AGAINST	98	7.93%
Number of votes ABSTAIN	8	0.65%
Number of votes WITHHOLD	43	3.48%
Number of votes on MSOP	87	7.04%
Number of votes One Year	7	0.57%
Number of votes Two Years	0	0.00%
Number of votes Three Years	0	0.00%
Number of votes With Policy	1,236	100.00%
Number of votes Against Policy	0	0.00%
Number of votes With Mgmt	1,097	88.75%
Number of votes Against Mgmt	139	11.25%
Number of votes on Shareholder Proposals	56	4.53%

## Voting Statistics



## Vote Cast Statistics



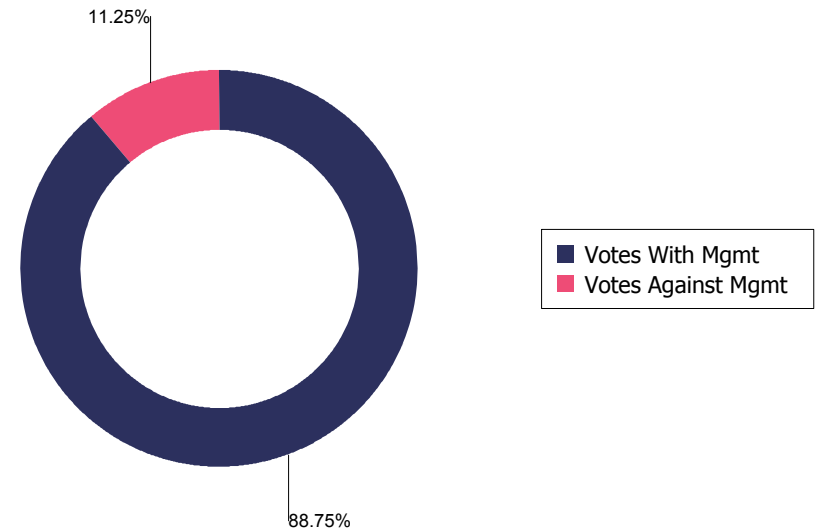
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### Vote Alignment with Policy

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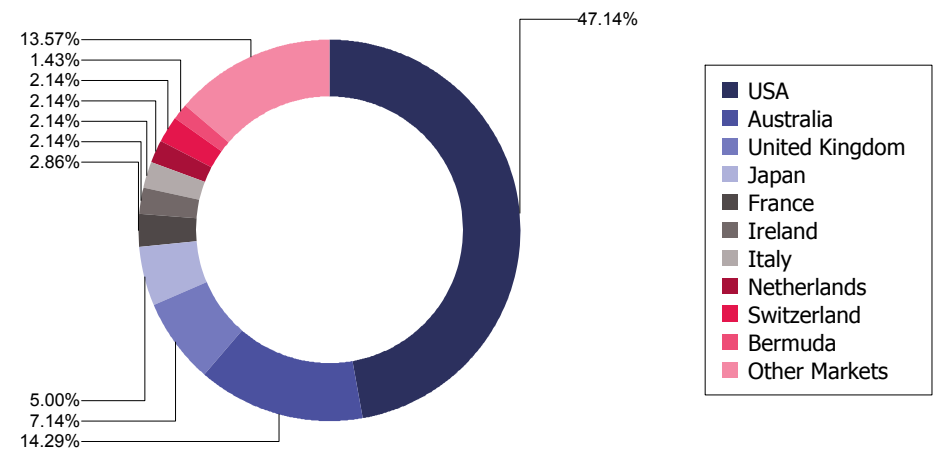
### Vote Alignment with Management



### Market Breakdown

Market	Votable Meetings	Voted Meetings	Percentage
USA	66	66	100.00%
Australia	20	20	100.00%
United Kingdom	10	10	100.00%
Japan	7	7	100.00%
France	4	4	100.00%
Sweden	4	0	0.00%
Ireland	3	3	100.00%
Italy	3	3	100.00%
Netherlands	3	3	100.00%
Switzerland	3	3	100.00%
Bermuda	2	2	100.00%
Brazil	2	1	50.00%
Cayman Islands	2	2	100.00%
China	2	2	100.00%
Denmark	2	2	100.00%
India	2	2	100.00%
Israel	2	2	100.00%

### Meetings Voted by Market



### Market Voting Statistics

Market	Votable Meetings	Voted Meetings	Percentage
Jersey	2	2	100.00%
Spain	2	2	100.00%
Canada	1	1	100.00%
Hong Kong	1	1	100.00%
New Zealand	1	1	100.00%
Norway	1	1	100.00%

