



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 9

MEETING DATE: February 15, 2023

SUBJECT: Proxy Voting Activity Report – Fourth Quarter 2022

SUBMITTED FOR: Consent Deliberation and Action Receive and File

RECOMMENDATION

Receive and file the report summarizing SCERS' proxy voting results for the quarter and year ending December 31, 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

The fourth quarter of the year is a relatively quiet period for proxy voting, with only 113 meetings voted on during the quarter, compared to 1,107 meetings voted on during the second quarter of the year. Voting activity during the fourth quarter declined from the prior year, as SCERS has transitioned part of its international equity portfolio into commingled funds, and was also conducting manager searches to replace a recently terminated international equity manager. During the fourth quarter of 2022, SCERS voted in 113 meetings and on 1,031 proposals, which was approximately 99% 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 92% of proposals and against management on 8% of proposals. The percentage of votes against management is comparable with the prior quarter (Q3 2022) and in line with full year voting results. During the quarter, SCERS voted in meetings across 18 countries.

For the year ending December 31, 2022, SCERS' proxy voting declined slightly from the prior year. For the full year, SCERS voted in 1,435 meetings and on over 17 thousand proposals. SCERS maintained a high level of proxy voting participation throughout the year, voting in over 98% of meetings and 96% of proposals. The number of meetings and proposals declined approximately 10% and 7%, respectively, from the prior year. Votes against management

increased slightly compared to the prior year, with SCERS voting against management on 8.3% of the proposals versus 7.8% in the prior year.

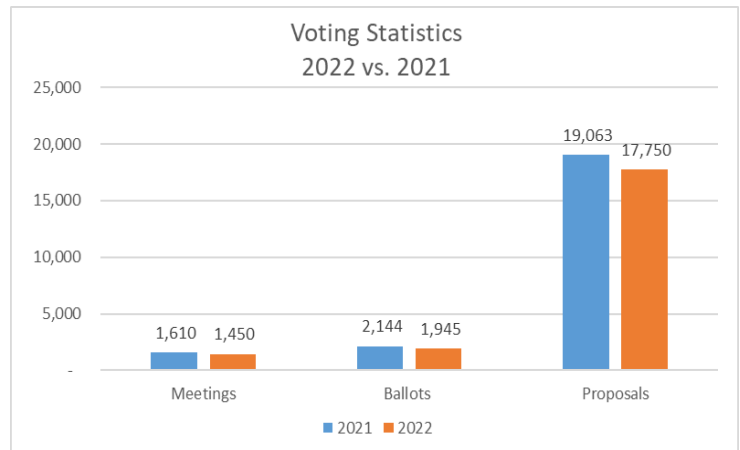
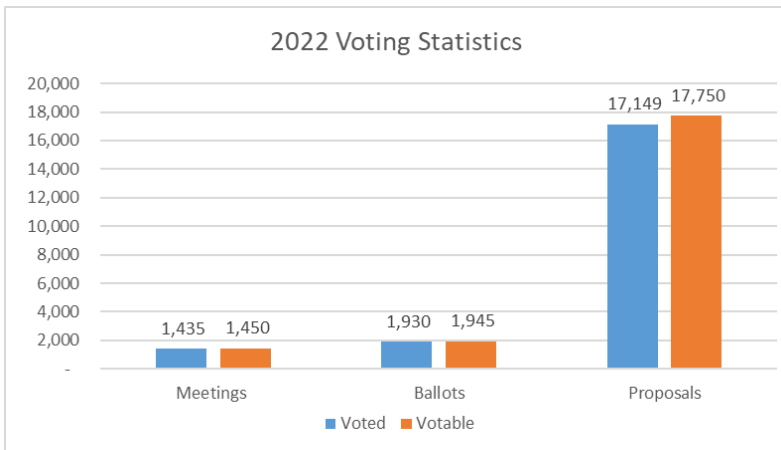
Proxy voting is a way for shareholders to vote on corporate actions when they are not able to attend a company’s annual meeting (i.e. vote via proxy). With institutional investors holding highly diversified portfolios, voting via proxy has become standard practice. For example, SCERS has an ownership 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.

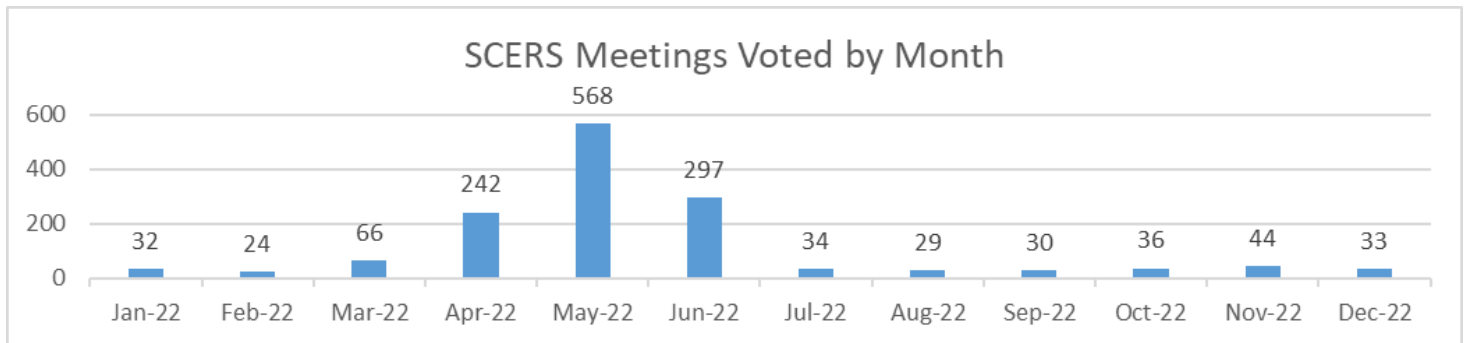
Proxy voting rights are considered valuable plan assets. As a fiduciary, SCERS is required to vote proxies in the best interests of plan participants and beneficiaries. SCERS’ Proxy Voting Policy authorizes the use of third-party proxy voting service providers to vote proxies for public equity securities.

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, 2022. ISS Board Statistics reports for the year and quarter ending December 31, 2022, are provided along with this memo.

Calendar Year 2022

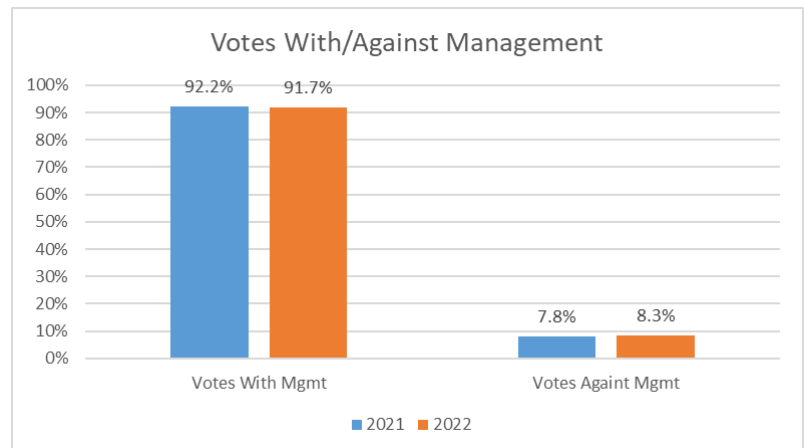
For the year ending December 31, 2022, SCERS voted in 99% of meetings where SCERS had an ownership interest and was eligible to vote (1,435 out of 1,450 votable meetings during the year). The votable meetings included 1,945 ballots and 17,750 items or proposals. The number of ballots can exceed the number of meetings if SCERS owns shares across multiple investment manager portfolios. SCERS voted approximately 99% of ballots and 97% 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.





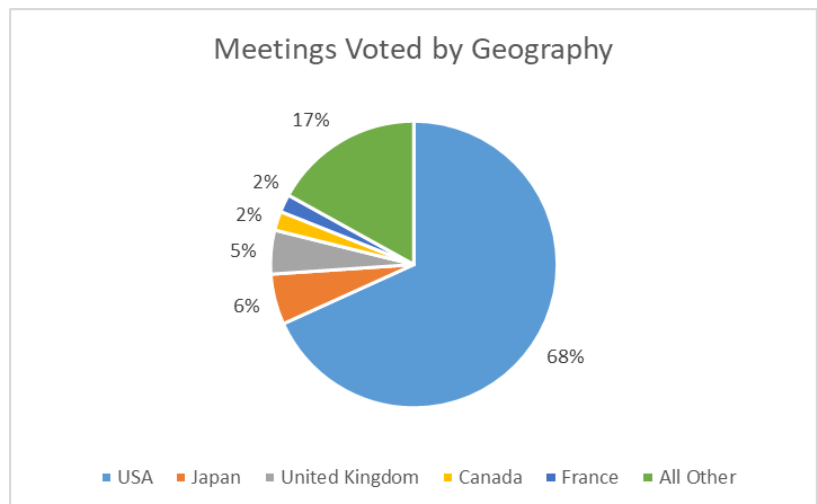
During 2022, the number of meetings, ballots, and proposals declined slightly from the prior year. Following changes to SCERS’ strategic asset allocation at the end of 2021, several parts of the international equity portfolio were restructured during the year, including moving into commingled funds where SCERS does not vote proxies. The majority of company meetings are held during the months of April through June. At the beginning of the calendar year, ISS updated 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 91.7% of proposals during the year and voted against management on 8.3% of proposals. This is was a slight increase in votes against management from the prior year.



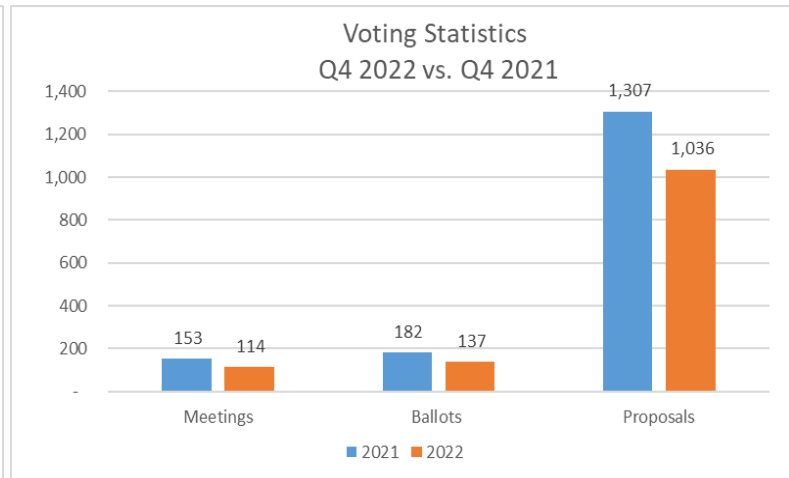
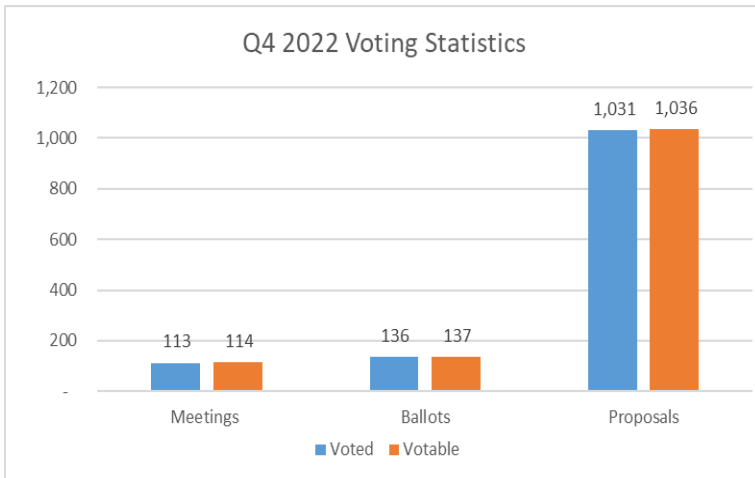
During the year, SCERS needed to take action on six proposals where ISS could not issue a recommendation. These votes were primarily instances where SCERS needed to clarify that it was an institutional investor and was not an officer and/or did not have a personal interest in the company. There were no votes during 2022 that went against SCERS’ voting policy.

On a geographic basis, the U.S. comprised the vast majority of meetings during the year, at approximately 68% 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 38 different countries.



Fourth Quarter 2022

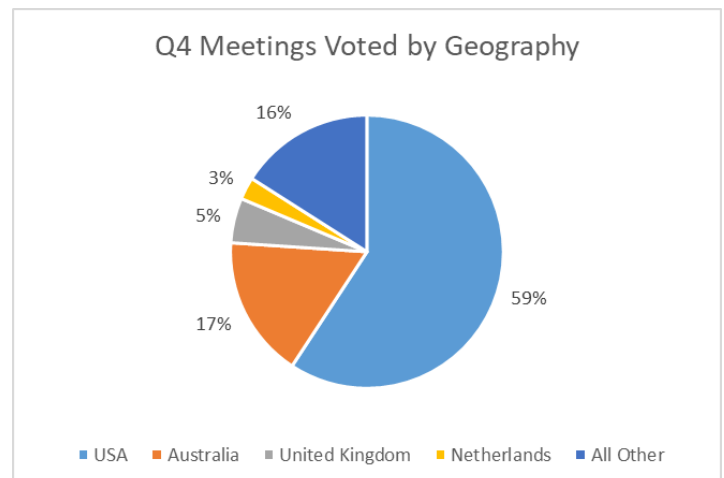
During the fourth quarter, SCERS voted in 113 out of 114 votable meetings (99%). The meetings voted on included 136 ballots and 1,031 proposals. SCERS voted on over 99% of ballots and proposals during the quarter. The meeting not voted on during the quarter was due to SCERS not having the requisite power of attorney (common in some foreign markets) to complete the voting process. The number of meetings and proposals voted on declined from the fourth quarter of 2021.



During the fourth quarter, SCERS voted with management on 92.0% of proposals and voted against management 8.0% of the time. The percentage of votes against management decreased compared to the fourth quarter of 2021, but was in line with full year voting results. For the votes against management, most of the votes related to the election of directors or compensation related matters.

There was only one vote during the quarter that required SCERS to take action. This vote was related to a foreign country that asked investors to classify if they are an institutional investor and/or have a personal interest in the company.

On a geographic basis, 59% of the meetings voted on were for U.S. based companies, followed by Australia (17%) and Netherlands (5%). SCERS voted on meetings in 18 countries during the quarter.



ATTACHMENT

- Board Order
- ISS Board Statistics Report for the year ending December 31, 2022.
- ISS Board Statistics Report for the quarter ending December 31, 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
February 15, 2023**

AGENDA ITEM:

Proxy Voting Activity Report – Fourth Quarter 2022

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the Proxy Voting Activity Report – Fourth Quarter 2022.

I HEREBY CERTIFY that the above order was passed and adopted on February 15, 2023 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): All locations
 Account Group(s): All account groups
 Institution Account(s): All institution accounts
 Custodian Account(s): All custodian accounts
 Reporting Period: 01/01/2022 to 12/31/2022

Meeting Overview

Category	Number	Percentage
Number of votable meetings	1,450	
Number of meetings voted	1,435	98.97%
Number of meetings with at least 1 vote Against, Withhold or Abstain	556	38.34%

Ballot Overview

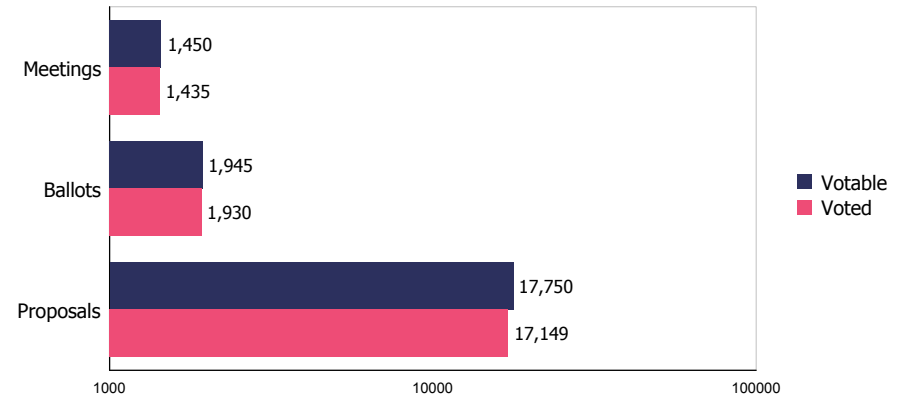
Category	Number	Percentage
Number of votable ballots	1,945	
Number of ballots voted	1,930	99.23%

Proposal Overview

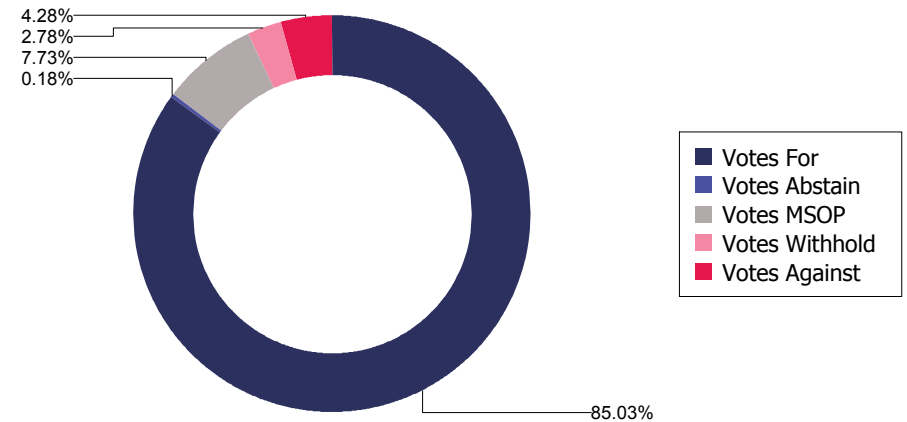
Category	Number	Percentage
Number of votable items	17,750	
Number of items voted	17,149	96.61%
Number of votes FOR	14,581	85.03%
Number of votes AGAINST	734	4.28%
Number of votes ABSTAIN	31	0.18%
Number of votes WITHHOLD	477	2.78%
Number of votes on MSOP	1,326	7.73%
Number of votes With Policy	17,149	100.00%
Number of votes Against Policy	0	0.00%
Number of votes With Mgmt	15,723	91.68%
Number of votes Against Mgmt	1,426	8.32%
Number of votes on Shareholder Proposals	620	3.62%

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



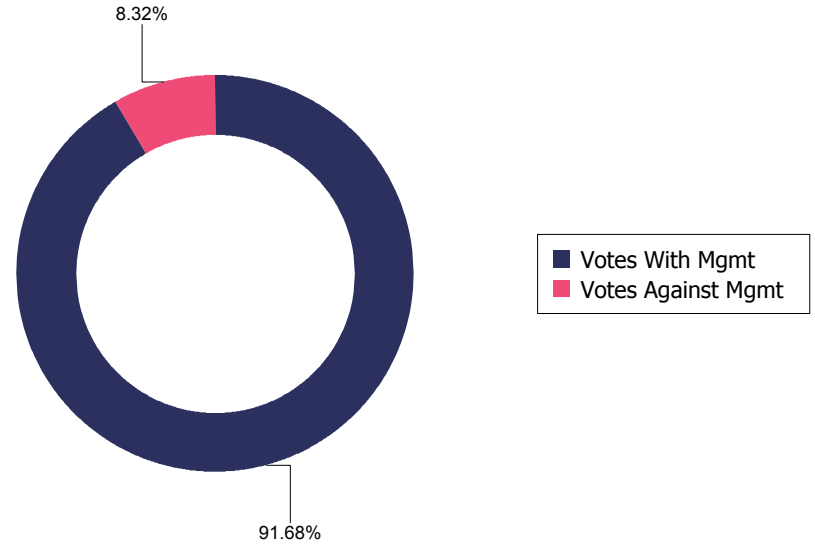
Vote Cast Statistics



Vote Alignment with Policy

No graphical representation provided.

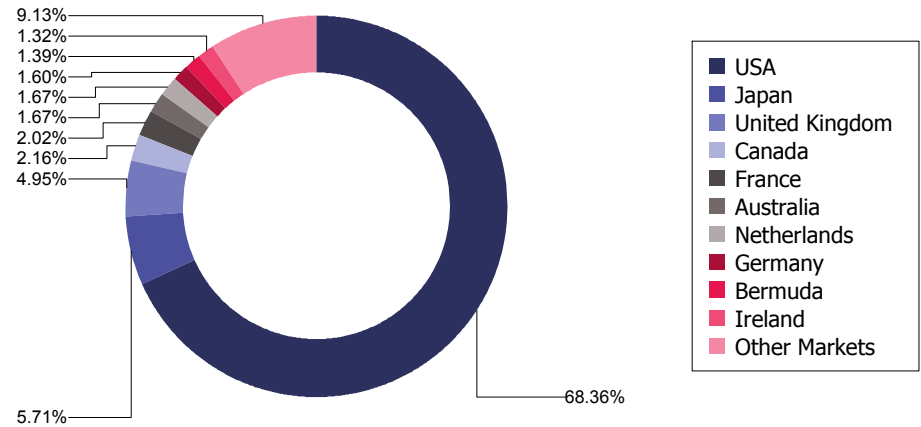
Vote Alignment with Management



Market Breakdown

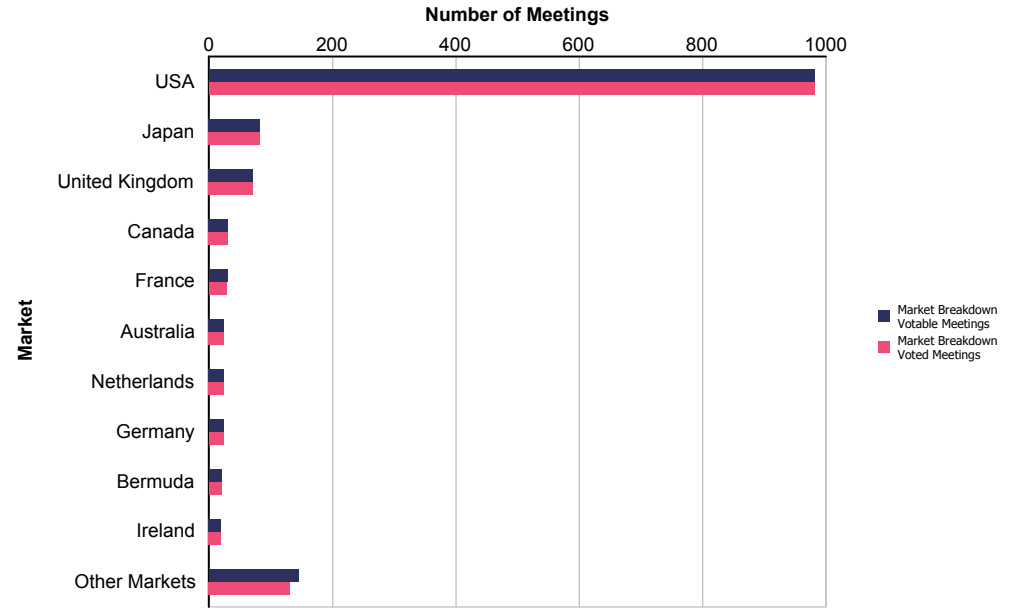
Market	Votable Meetings	Voted Meetings	Percentage
USA	981	981	100.00%
Japan	82	82	100.00%
United Kingdom	71	71	100.00%
Canada	31	31	100.00%
France	30	29	96.67%
Australia	24	24	100.00%
Netherlands	24	24	100.00%
Germany	23	23	100.00%
Bermuda	20	20	100.00%
Ireland	19	19	100.00%
Switzerland	18	18	100.00%
Cayman Islands	16	16	100.00%
Spain	13	13	100.00%
Italy	11	11	100.00%
Sweden	11	0	0.00%
Denmark	10	8	80.00%
Finland	7	7	100.00%

Meetings Voted by Market



Market Voting Statistics

Market	Votable Meetings	Voted Meetings	Percentage
Israel	6	6	100.00%
Jersey	6	6	100.00%
Singapore	6	6	100.00%
Belgium	5	5	100.00%
China	5	5	100.00%
Hong Kong	5	5	100.00%
Brazil	4	3	75.00%
Luxembourg	3	3	100.00%
Norway	3	3	100.00%
Austria	2	2	100.00%
Chile	2	2	100.00%
Mexico	2	2	100.00%
Portugal	2	2	100.00%
Curacao	1	1	100.00%
Guernsey	1	1	100.00%
India	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



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: 10/01/2022 to 12/31/2022

Meeting Overview

Category	Number	Percentage
Number of votable meetings	114	
Number of meetings voted	113	99.12%
Number of meetings with at least 1 vote Against, Withhold or Abstain	39	34.21%

Ballot Overview

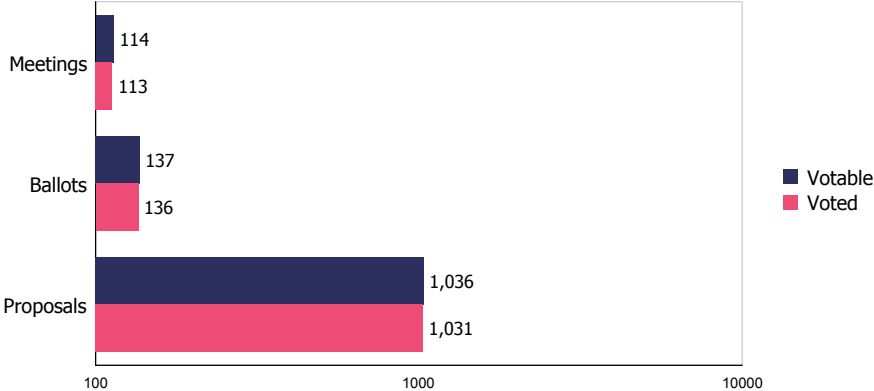
Category	Number	Percentage
Number of votable ballots	137	
Number of ballots voted	136	99.27%

Proposal Overview

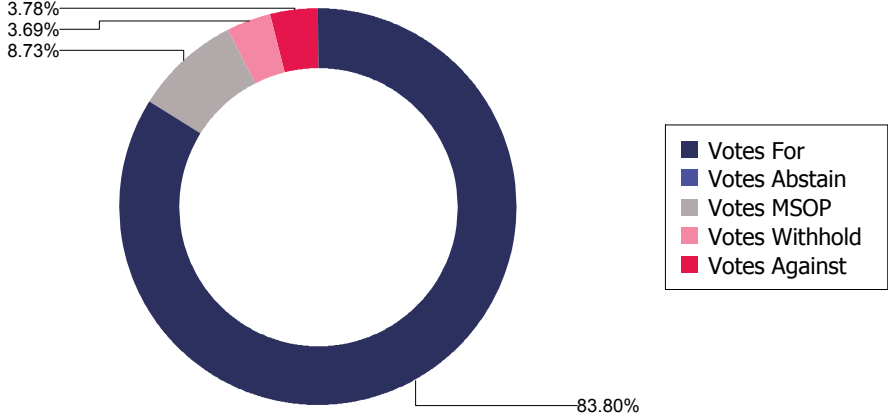
Category	Number	Percentage
Number of votable items	1,036	
Number of items voted	1,031	99.52%
Number of votes FOR	864	83.80%
Number of votes AGAINST	39	3.78%
Number of votes ABSTAIN	0	0.00%
Number of votes WITHHOLD	38	3.69%
Number of votes on MSOP	90	8.73%
Number of votes With Policy	1,031	100.00%
Number of votes Against Policy	0	0.00%
Number of votes With Mgmt	949	92.05%
Number of votes Against Mgmt	82	7.95%
Number of votes on Shareholder Proposals	22	2.13%

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



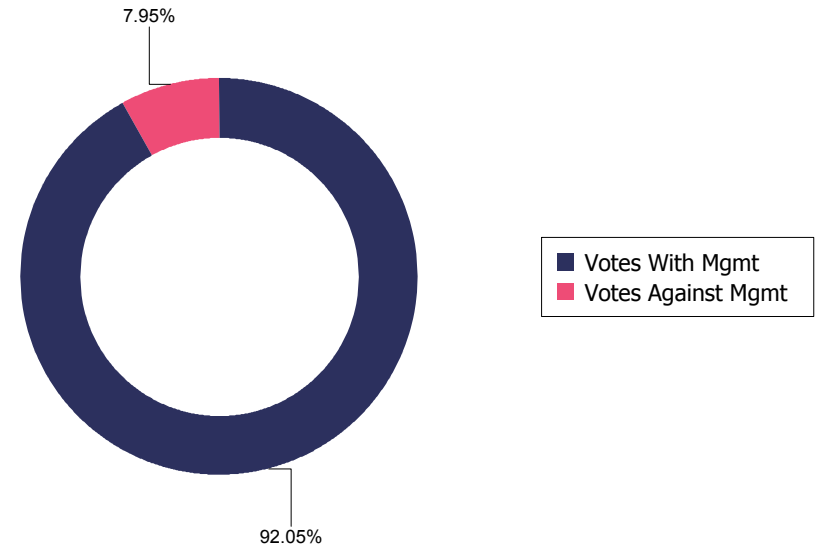
Vote Cast Statistics



Vote Alignment with Policy

No graphical representation provided.

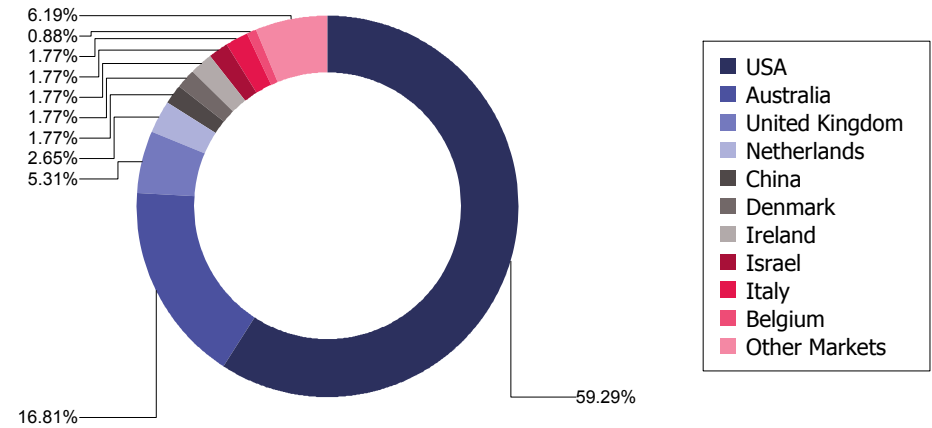
Vote Alignment with Management



Market Breakdown

Market	Votable Meetings	Voted Meetings	Percentage
USA	67	67	100.00%
Australia	19	19	100.00%
United Kingdom	6	6	100.00%
Netherlands	3	3	100.00%
China	2	2	100.00%
Denmark	2	2	100.00%
Ireland	2	2	100.00%
Israel	2	2	100.00%
Italy	2	2	100.00%
Belgium	1	1	100.00%
Bermuda	1	1	100.00%
Brazil	1	0	0.00%
France	1	1	100.00%
Germany	1	1	100.00%
Hong Kong	1	1	100.00%
Japan	1	1	100.00%
Jersey	1	1	100.00%

Meetings Voted by Market



Market Voting Statistics

Market	Votable Meetings	Voted Meetings	Percentage
Switzerland	1	1	100.00%

