



Dale R. Folwell, CPA

INVESTMENT MANAGEMENT

MEMORANDUM

TO: Supplemental Retirement Board of Trustees

FROM: Loren de Mey, Assistant Investment Director

DATE: August 27, 2020

SUBJECT: Compliance Reporting – Second Quarter of 2020

Divestment Policies

There were no prohibited holdings held in the Supplemental Retirement Plans Group Trust during the calendar quarter.

Investment Guidelines

The Supplemental Retirement Plans staff continues to monitor investment manager guidelines on a daily basis. There were no material issues during the quarter.

The BNY Mellon Compliance monitoring system currently uses Russell Global Sectors (RGS) classification to classify stocks into their relevant sectors and industries. This classification system is currently used across the majority of SRP equity managers for compliance testing. Several managers use GICS (Global Industry Classification Standard) classification as stated in their separate account contracts.

Effective September 21, 2020, RGS classification will move to a new structure, Industry Classification Benchmark (ICB). Given this change, staff has reviewed the new ICB classification as well as the GICS classification.

In discussions with SRP investment managers and SRP's investment consultant, staff has determined that the GICS classification would be preferable given it is most widely used and considered the standard in the industry. GICS also has a robust classification which includes 11 sectors, 24 industry groups, 69 industries, and 158 sub-industries. Staff will be requesting that BNY use the GICS classification going forward for all equity compliance testing. This will bring all equity compliance testing to one consistent methodology. This change does not impact any benchmarking of investment management strategies, which remain unchanged.

Proxy Voting

The Annual Proxy Voting Report is included within the Board Appendix materials.

Glass Lewis continues to provide proxy voting services for SRP investment managers. In the past year, the Plans' voted a total of 6,298 proposals. Additional information can be found in the full Proxy Report in the Appendix.