



RETIREMENT SYSTEMS DIVISION

STEVEN C. TOOLE
EXECUTIVE DIRECTOR

To: Supplemental Retirement Board of Trustees

From: Reid Chisholm, Assistant General Counsel

Date: November 30, 2017

Re: Proxy Policy Recommendation

The goal of the Department of State Treasurer's (the "Department") proxy voting program is to maximize long-term shareholder value, based on sound corporate governance principles. In order to fulfill its fiduciary duty to vote proxy shares "in the best interest of the Retirement Systems and Supplemental Retirement Plans' participants and their beneficiaries," the Department's Corporate Governance Committee reviewed, and unanimously voted to adopt, its current proxy voting policy in October 2017. The policy adopted is that of the Department's current proxy services provider, Glass Lewis.

To date, the Investment Management Division (IMD) and the Supplemental Retirement Plans (SRP) have cast their respective ballots separately, with each division utilizing its unique voting policy. The recommended adoption of Glass Lewis's guidelines will unify the Department's voting process, minimize potential voting discrepancies, reduce administrative burden associated with separate policy creation and maintenance, and reduce the inefficiencies of manual ("case-by-case") voting.

IMD and SRP staff performed a thorough review of Glass Lewis's voting policy and found it to be in line with the Department's principle of sound governance and its mission of maximizing the economic benefit to retirement plans' members. The development of Glass Lewis's house policy is overseen by its Chief Policy Officer and Vice President of Research & Engagement; at a minimum, the guidelines are updated annually. IMD and SRP staff observed that, in general, Glass Lewis favors a definite position (voting either "FOR" or "AGAINST") regarding shareholders' initiatives, while the Plans tend to vote a number of issues manually and arrive at a decision on a "case-by-case" basis. The existing Departmental policies and the Glass Lewis's house policy also align with respect to significant voting issues, such as the election of directors, executive compensation, and governance structure. Finally, the comprehensive nature of the Glass Lewis's policy will allow for a higher degree of vote automation.

SRP staff recommends that the Board direct SRP staff to adopt and implement the Glass Lewis's proxy voting guidelines in their entirety; the new guidelines would replace the current domestic and international proxy voting guidelines previously adopted by the Board. Adoption by the Board at its December 14 meeting, combined with IMD's prior adoption of the new policy, will allow the Department to implement the guidelines for the upcoming 2018 proxy season.