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San Bernardino County Employees' Retirement Association

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References:
Applicability: SBCERA systemwide

Proxy Voting Policy

POLICY NO. 009

POLICY

In accordance with California Government Code sections 7450 and 7451 and its fiduciary responsibility, SBCERA adopts the following proxy voting policy. Resolution of management and shareholder issues must be directed towards maximizing equity value, not to entrench the current management team or subject the company to excessive outside influences which are not focused on maximizing shareholder value. In implementing this policy, SBCERA may have its proxies voted by an independent third party or other named fiduciary or agent.

I. IMPLEMENTATION

This policy may be implemented through SBCERA's contractual relationships with its respective investment managers for asset classes involving ownership of common stock. Means of implementation may include:

- A. The manager's acceptance of this policy and agreement to vote proxies in compliance with it, either directly or through a third party service provider;
B. SBCERA's review and acceptance of the manager's proxy voting policy, if it is consistent with the philosophy articulated herein and is designed to maximize the equity value of SBCERA's holdings and otherwise advance the goals underlying the investment; or
C. SBCERA's direct implementation of this policy, either by SBCERA staff or through a third party service provider. In most instances, managers are directed to vote proxies on behalf of SBCERA in accordance to the SBCERA Proxy Voting Policy.

The mechanism for implementation shall be chosen at the discretion of the Chief Investment Officer or his or her designee, in a manner that is consistent with and promotes the goals of this policy.

II. VOTING GUIDELINES

The following guidelines are designed to be responsive to the wide range of subjects that can have a significant effect on the investment value of the securities held in SBCERA's accounts. These guidelines are not exhaustive due to the variety of proxy voting issues that SBCERA may be required to consider. SBCERA reserves the right to depart from these guidelines in order to avoid voting decisions that it believes may be contrary to its best interests. In voting proxies, the following general guidelines will apply:

## **A. Elections of Directors:**

Unless there is a proxy fight for seats on the Board or we determine that there are other compelling reasons for withholding votes for directors, we will vote in favor of the management proposed slate of directors. That said, we believe that directors have a duty to respond to shareholder actions that have received significant shareholder support. We may withhold votes for directors that fail to act on key issues such as failure to submit a rights plan to a shareholder vote and failure to act on tender offers where a majority of shareholders have tendered their shares.

## **B. Appointment of Auditors:**

SBCERA believes that the company remains best qualified to choose its auditors. SBCERA will generally support management's recommendation. However, we recognize that there may be inherent conflicts when a company's independent auditor performs substantial non-audit related services for the company. Therefore, we may vote against the appointment of auditors if the fees for non-audit related services are disproportionate to the total audit fees paid by the company or there are other reasons to question the independence of the company's auditors.

## **C. Changes in Capital Structure:**

Changes in a company's charter, articles of incorporation or by-laws are often technical and administrative in nature, driven by changes in laws or regulation. Absent a compelling reason to the contrary, SBCERA will cast its votes in accordance with the company's management on such proposals. However, we may review and analyze on a case-by-case basis any non-routine proposals that are likely to affect the structure and operation of the company or have a material economic effect on the company. For example, we will generally support proposals to increase authorized common stock when it is necessary to implement a stock split, aid in restructuring or acquisition or provide a sufficient number of shares for an employee savings plan, stock option or executive compensation plan. However, a satisfactory explanation of a company's intentions must be disclosed in the proxy statement for proposals requesting an increase of greater than one hundred percent of the shares outstanding. We will oppose increases in authorized common stock where there is evidence that the shares will be used to implement a poison pill or another form of anti-takeover device.

## **D. Corporate Restructurings, Mergers and Acquisitions:**

SBCERA believes proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, SBCERA may analyze such proposals on a case-by-case basis.

## **E. Proposals Affecting Shareholder Rights:**

SBCERA believes that certain fundamental rights of shareholders must be protected. We will generally vote in favor of proposals that give shareholders a greater voice in the affairs of the company and generally oppose measures that seek to limit those rights. However, when analyzing such proposals we will weigh the financial impact of the proposal against the impairment of shareholder rights.

## **F. Corporate Governance:**

SBCERA recognizes the importance of good corporate governance in ensuring that management and the

board of directors fulfill their obligations to the shareholders. We favor proposals promoting transparency and accountability within a company. For example, we will vote for proposals providing for equal access to proxies and a majority of independent directors on key committees.

## G. Anti-Takeover Measures:

SBCERA believes that measures that impede takeovers or entrench management not only infringe on the rights of shareholders but may also have a detrimental effect on the value of the company. SBCERA will generally oppose proposals, regardless of whether they are advanced by management or shareholders, if the purpose or effect of which is to entrench management or dilute shareholder ownership. Conversely, SBCERA will support proposals that would restrict or otherwise eliminate anti-takeover measures that have already been adopted by corporate issuers. For example, we will support shareholder proposals that seek to require the company to submit a shareholder rights plan to a shareholder vote. SBCERA will evaluate, on a case-by-case basis, proposals to completely redeem or eliminate such plans. Furthermore, SBCERA will generally oppose proposals put forward by management (including blank check preferred stock, classified boards and supermajority vote requirements) that appear to be intended as management entrenchment mechanisms.

## H. Executive Compensation:

SBCERA believes that company management and the compensation committee of the board of directors should, *within reason*, be given latitude to determine the types and mix of compensation and benefit awards offered. Whether proposed by a shareholder or management, SBCERA will review proposals relating to executive compensation plans on a case-by-case basis to ensure that the long-term interests of management and shareholders are properly aligned. SBCERA will analyze the proposed plans to ensure that shareholder equity will not be excessively diluted, the option exercise price is not below market price on the date of grant and an acceptable number of employees are eligible to participate in such programs. As a general rule we strongly support the granting of restricted stock rather than stock options, and SBCERA will generally oppose plans that permit re-pricing of underwater stock options without shareholder approval. Other factors such as the company's performance and industry practice will generally be factored into our analysis. SBCERA will support proposals to submit severance packages triggered by a change in control to a shareholder vote and proposals that seek additional disclosure of executive compensation. Finally, SBCERA will support shareholder proposals requiring companies to expense stock options because SBCERA views them as a corporate expense.

### Attachments

No Attachments

### Approval Signatures

Step Description	Approver	Date
Investment Committee	Donald Pierce: Chief Investment Officer	pending
Investment Committee	Erin Calicchio: Sr Executive Secretary	9/5/2024
Chief Executive Officer Review	Debby Cherney: Chief Executive Officer	9/4/2024

## Exhibit A: Page 4

Step Description	Approver	Date
Chief Counsel Review	Barbara Hannah: Chief Counsel	7/9/2024
Investment Services Review	Donald Pierce: Chief Investment Officer	7/2/2024
Investment Services Review	Eydie Cox: Sr Investment Analyst	6/27/2024

  

### Applicability

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SBCERA, SBCERA Internal

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