



Agenda Item 10a

February 16, 2016

ITEM NAME: Review of 2015 Proxy Voting Results and 2016 Voting Plan

PROGRAM: Global Governance

ITEM TYPE: Program Review – Information

EXECUTIVE SUMMARY

This agenda item provides an update of the Global Governance Program's proxy voting activity for the last three quarters of 2015. Specifically, this item includes the normally scheduled quarterly proxy voting report for Q4 2015 and additional information for previous reporting periods from Q2 and Q3 of 2015. The following Attachments 1, 2, and 3 provide an overview of proxy voting for the corresponding periods.

This agenda item will also provide the Board with an update on the Global Governance 2016 Proxy Voting Priorities for the upcoming year. The details are highlighted in Attachment 4.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan goal of improving long-term pension and health benefits sustainability. Regular program updates support the Investment Committee in its oversight capacity.

INVESTMENT BELIEFS

This agenda item supports the CalPERS' Investment Beliefs by providing a framework for Program strategic management and to support organizational priorities. The proposed Policy directly integrates the following Beliefs into Program decision making and management:

1. Investment Belief 2 – A long time investment horizon is a responsibility and an advantage. Long time horizon requires that CalPERS advocate for public policies that promote fair, orderly and effectively regulated capital markets.
2. Investment Belief 3 – CalPERS' investment decisions may reflect wider stakeholder views, provided they are consistent with its fiduciary duty to members and beneficiaries.

3. Investment Belief 4 – Long-term value creation require effective management of three forms of capital: financial, physical and human. CalPERS may engage investee companies and external managers on their governance and sustainability issues, including governance practices, risk management practices, human capital practices, and environmental practices.

BACKGROUND

The Program seeks good governance practices to ensure that CalPERS funds are being used for the benefit of our members to produce sustainable long-term, risk adjusted returns that pay pensions.

ANALYSIS

CalPERS Global Voting Policy states that proxy voting rights must be diligently exercised as part of the System's fiduciary duty. As part of the duty staff reviews information provided by companies, market experts, and investors to ensure votes are cast in line with CalPERS Global Governance Principles. This update highlights progress, accomplishments, and upcoming work within the Global Governance proxy voting work stream. Specifically this will include:

- CalPERS Quarterly Proxy Voting Activity (Q2, Q3, and Q4 of 2015)
- Global Governance 2016 Proxy Voting Priorities

BUDGET AND FISCAL IMPACTS

Not applicable

BENEFITS/RISKS

The Global Governance program supports CalPERS fiduciary duty to provide sustainable, risk adjusted returns for its members. The risks relate to not fulfilling Board policies and principles.

ATTACHMENTS

- Attachment 1 – Overview of Global Proxy Votes Cast – Q2 2015
- Attachment 2 – Overview of Global Proxy Votes Cast – Q3 2015
- Attachment 3 – Overview of Global Proxy Votes Cast – Q4 2015
- Attachment 4 – 2016 Proxy Voting Priorities

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