

2017

Ohio Public Employees Retirement System

Corporate Governance ANNUAL REPORT





2017 Corporate Governance Report

Dear colleague,

We are pleased to present the *2017 Corporate Governance Annual Report* to OPERS members, retirees and interested parties. This report provides a high level review of the proxy votes cast as part of global public companies' annual and special meeting ballots and a description of our corporate governance activities. This report also highlights proxy voting for the core categories that comprise our Proxy Voting Guidelines: Directors, Auditor, Shareholder Proposals and Social Responsibility.

The OPERS Board of Trustees created the corporate governance program in the mid-1990s and has maintained interest in supporting programs that align with our investment strategies and promote long-term shareholder value. OPERS believes sound corporate governance reduces risk, adds value to investments and protects investor reputations while poor corporate governance detracts from a company's returns and may negatively impact the value created. Good governance improves the company's long-term value, which is why corporate governance is a critical component supporting our investment strategy.

The Board's Proxy Policy and Corporate Governance Committee meets throughout the year to reinforce the goals of the program and update the Corporate Governance Policy and Proxy Voting Guidelines as needed to reflect best practices. OPERS maintains a standard of "Quiet Diplomacy" which means engaging in discussion with company directors and executive officers with the desire to add value to our investments and build long-term relationships. Corporate governance best practices and company engagement ultimately aid OPERS in fulfilling our fiduciary duty to protect the retirement futures of our retirees and members.

The Board is committed to a corporate governance program with a continual focus on adding value to our investment strategies and creating strong relationships with public companies – a testament to our commitment to fiduciary responsibility. This report depicts our progress and success in 2017. Thank you for your interest in our program.

Respectfully,



Ken Thomas

*Chair, OPERS
Board of Trustees*

*Chair, Proxy Policy
and Corporate
Governance
Committee*



Karen E. Carraher

Executive Director



Patricia Brammer

Corporate Governance Officer



2017 Corporate Governance Report

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INTRODUCTION

OPERS History and Background

The Ohio Public Employees Retirement System was created in 1935 by the Ohio General Assembly as a retirement fund for public employees not covered by another state retirement system in Ohio or the Cincinnati Retirement System. The 11-member OPERS Board of Trustees is responsible for the administration and management of all OPERS activities including oversight of investment policies. Board members receive no compensation for their service to OPERS, but are reimbursed for necessary expenses incurred while serving the System. Seven of the 11 members are elected by the specific stakeholder groups they represent (i.e., college and university non-teaching employees, state, county, municipal and miscellaneous employees, and two retiree representatives); the Ohio Director of the Department of Administrative Services is a member by virtue of the office, and three members with investment expertise are appointed by Ohio's Governor, the Treasurer and jointly by the Ohio Legislature.

Ohio is a non-Social Security state. OPERS members do not contribute to Social Security, but instead make contributions to the retirement system. With approximately \$109 billion total assets under management as of December 31, 2017, OPERS is the largest state pension fund in Ohio, the 12th largest public retirement system and the 15th largest retirement system in the U.S. OPERS serves more than 1 million members. Historically two-thirds of OPERS revenue, from which benefits are paid, is derived from investment returns. The remaining one-third of the revenue comes from employee and employer contributions. Other post-employment benefits such as health care are not statutorily mandated or guaranteed. OPERS has a history of proactive decision making. This fact, coupled with investment strategy, has enabled the System to continue to provide access to health care for OPERS retirees and their dependents.

2018 OPERS BOARD OF TRUSTEES

Ken Thomas

Board Chair, Municipal Employees

Chris Mabe

Board Vice Chair, State Employees

Julie Albers

County Employees

Robert Blair

Director, Department of Administrative Services

Randy Desposito

Non-teaching College/University Employees

Herman Mollmann

Governor Appointed Investment Expert

Cynthia Sledz

Miscellaneous Employees

Tim Steitz

Retirees

James Tilling

General Assembly Appointed Investment Expert

Steve Toth

Retirees

Seth Metcalf

Treasurer Appointed Investment Expert

**\$109B**

total assets under management

**12th largest**

public pension system in the U.S.

**1.1 million**

members

The Board has adopted Corporate Governance Policy and Proxy Voting Guidelines which are reviewed at least annually by staff and the Board's Proxy Policy and Corporate Governance Committee. The policy and guidelines are utilized by staff members as guiding principles for the program.

Introduction

Program Timeline



1996

Domestic Proxy Policy

The first Domestic Proxy Policy was established to highlight proxy voting as an integral component of the investment process.



2004

Corporate Governance Committee

The creation of the Board's Proxy Policy and Corporate Governance Committee, Charter and the initial draft of the Corporate Governance Policy Statement and Guidelines all took place.



2011

Corporate Governance Report

The corporate governance staff members implemented an annual Corporate Governance Report and made proxy voting results readily available through opers.org to enhance transparency in communications.



2014

Corporate Governance Forum

The annual forum was introduced to provide an opportunity for the OPERS Board of Trustees, Leadership Team, investment and legal staff, as well as legislators, to enhance their knowledge of corporate governance principles and best practices.



2017

Key Focus Areas Identified

Board diversity, advocacy, engagement, transparency and stewardship are identified as key focus areas of the program.

Corporate Governance Philosophy

As a long-term institutional investor, OPERS strives to manage assets and risks in a prudent, timely and cost-effective manner within its investment objectives and legal authority. The corporate governance program seeks to protect and enhance investment returns by effectively voting its proxies and responsibly participating in associated corporate governance activities such as engagement, participation in industry groups, coalitions and drafting support documents. The program enlists an approach of quiet diplomacy, which is defined as outward engagement and ongoing discussion as the first means of interaction.

In 2017, OPERS demonstrated application of this philosophy in the following ways:

- Created a campaign to **increase gender parity** on the boards of Ohio-based, publicly traded boards
- Participated in the Thirty Percent Coalition to **increase diversity** on publicly traded boards, specifically gender parity
- Participated in the Women's U.S. Diversity Coalition to **enhance diversity** policies or appoint a diverse director
- Participated in the Human Capital Management Coalition to increase awareness of **human capital issues** and ask companies to provide disclosure on certain factors if applicable to their industry
- Participated in the Midwest Board Diversity Coalition to encourage companies to adopt a **board diversity** policy
- Served as signatory to Investor Stewardship Group that **sets expectations** for corporate governance in the U.S.
- Sent comment letter to SEC requesting **Universal Proxy** be mandated permitting shareowners to vote for their preferred combination of nominees from both slates
- Sent comment letter to Singapore Exchange in opposition of dual class shares that alter the principle of shareowner's right of **"one-share, one vote"**

Though we may join peers with differing approaches to governance, our philosophy remains the same. The objectives of the OPERS corporate governance program are to enhance the long-term value of OPERS' investments by supporting and promoting:

- Activities that ensure management and boards of directors are acting in the best interest of shareowners and in ways that protect OPERS' assets;
- Corporate accountability, financial transparency and responsibility; and,
- Governmental policies and regulations that are in the best interest of OPERS.



FOCUS AREAS

OPERS corporate governance continued its commitment to add value to OPERS' investments while creating strong relationships with public companies. This was achieved through a focus on **board diversity, advocacy, engagement, transparency and stewardship.**

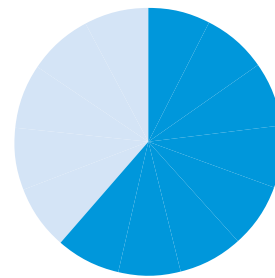
1. **Board Diversity** – The aim of this focus area is to increase value for shareholders.

OPERS Ohio Board Diversity Initiative

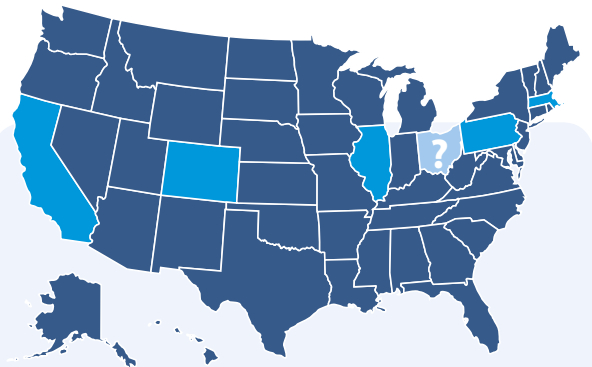
In an effort to promote diversity in board composition, OPERS implemented a campaign aimed at Ohio-based companies with less than two women on their board. Discussions centered on board refreshment practices, director skill assessment and identification of recruitment/sourcing resources. Out of 40 companies identified, 13 were engaged in 2017. Successful engagement was measured as either the addition of a woman to the board or incremental movement towards updating nominating/governance guidelines or charters. Unsuccessful engagement indicates the company did not respond after numerous attempts or declined to discuss the make-up of the board.

OPERS Ohio Resolution

California, Illinois, Massachusetts, Colorado and Pennsylvania have passed legislation to increase gender parity on public boards. Ohio is moving one step closer to joining that group. During 2017, a sponsor was identified and resolution language drafted to encourage equitable and diverse gender representation on the boards and in senior management of Ohio companies and institutions. **2020 Women on Boards** provides a gender diversity directory, an extensive database of public and private companies. In Ohio, of the 64 companies listed, half have achieved twenty percent gender diversity on their boards.¹



Out of 13 companies, 8 added a woman to their board or committed to taking additional language to the board to be considered for inclusion in the nominating/governance guidelines or charters.



California, Illinois, Massachusetts, Colorado and Pennsylvania have already passed legislation to increase gender parity on public boards. Ohio is one step closer to joining that group.

Coalition work is another strategy the program uses to enact change and increase diversity on boards. OPERS partnered with the following coalitions to join forces and assets under management to work toward this common goal:

- ▲ OPERS joined three other large U.S. and international long-term investors to form the **Women's U.S. Diversity Coalition**. The group, representing a combined \$2.5 trillion assets under management, targeted 60 small cap companies with the goal of having them enhance their diversity policy and/or appoint a diverse director. The group engaged companies by outbound correspondence as well as calls with investor relations, executive management and directors. By the end of 2017, the coalition had experienced a 58 percent success rate.

Women's U.S. Diversity Coalition aims to enhance diversity policy among U.S. companies.



\$2.5T
Assets under
management



58%
Success rate
in 2017



▲ As part of the **Midwest Board Diversity Coalition**, OPERS worked to advance board diversity in the Midwest states by encouraging companies to broaden language (**Rooney Rule**) in their policies to detail how they consider women and diverse candidates in the new director nomination process. The aim is to have a change in the company's diversity policy and/or an appointment of a diverse director at each target company.

The Midwest Board Diversity Coalition is comprised of nine funds: United Auto Workers Retiree Medical Benefits Trust, OPERS, School Employees Retirement System of Ohio, State of Wisconsin Investment Board, Illinois Treasurer, MARCO Consulting, SEIU Midwest Region, Trinity Health and the Sundance Family Foundation. Each fund leads engagements for the companies within the borders of their state as investors and as one of the state's economic stakeholders.

In 2017, 17 small cap companies were contacted by the participating funds. Of these, 100 percent either added a female director or added Rooney Rule language.

▲ OPERS joined the **Thirty Percent Coalition** in 2016. This group represents a collaboration amongst U.S. corporations, investors and advocacy groups. The Coalition's investors represent more than \$3.2 trillion in assets under management. The Coalition does not advocate for quotas – the focus is to improve gender diversity in U.S. boardrooms. The group's title, Thirty Percent Coalition, represents an objective against which progress can be measured and represents an aspirational target across all public company boards – not each independent public company board.

Since 2012, the Coalition has been engaging with companies without female directors. As of 2017, 150 of those companies have elected a woman to their board.

The Coalition's public sector committee, of which OPERS is a part, works to support passage of state, city and federal resolutions to encourage gender representation on corporate boards and communicates with the SEC in support of disclosure requirements.

Rooney Rule Proposal Explanation and Goals:

1. *Include qualified women and minority candidates in the initial list of candidates from which management-supported director nominees are chosen; provided that if the initial list is produced by a third-party consultant, such consultant will be asked to include qualified women and minority candidates.*
2. *Include in the initial list described above candidates who have both served as C-Suite officers of public companies and candidates with substantial experience in non-corporate settings such as government, academia and non-profit organizations.*

2. **Advocacy** – The program maintains membership with governance organizations that provide value, not only from a research perspective, but also for the garnering of collective support for governance issues that threaten shareholder value or de-emphasize the role of the institutional investor.



▲ In 2017, OPERS submitted a comment letter to the Security and Exchange Commission (SEC) in opposition to the Singapore Stock Exchange (SGX) advocating against dual class shares which provide certain classes of shareowners with superior voting rights. OPERS believes strongly in one share one vote. A second comment letter was submitted to the SEC advocating for universal proxy which would enable shareholders to choose the best board candidates from management’s slate and the opponent’s slate instead of having to vote unilaterally for one slate over the other. Each issue deteriorates the shareholders opportunity to have their voice heard.

▲ Federally, OPERS commented to House members voicing strong opposition to provisions in the Financial Choice Act in addition to signing on to the Council of Institutional Investors’ letter opposing the proposed legislation relating to Proxy Advisory Forms. The year ended with the

bill passing in the House of Representatives but awaiting Senate approval. If passed, smaller proxy agent firms may likely close their doors further decreasing competition in the marketplace and hindering small business. Shareholders would be impacted by timing of research availability as companies would have the opportunity to review research and provide comment to the firms for correction prior to publishing for the institutional investors who pay for the services/research.

Though the Financial CHOICE Act (HR 10) is unlikely to receive favorable consideration in the U.S. Senate, we are mindful that pieces of the bill could be introduced as standalone measures or amended into other moving legislation. As such, we will continue to educate the members of the Ohio congressional delegation regarding our concerns with HR 10, as well as our responsibilities and activities as an institutional investor.

▲ In 2017, OPERS signed on to the Investor Stewardship Group's U.S. Governance and Stewardship Code. This group represents \$22 trillion in the U.S. equity markets and is comprised of 50 U.S. and international institutional investors. **The group established a framework of basic standards of investment stewardship and corporate governance for U.S. institutional investors and boardroom conduct.** The six principles the group believes to be fundamental to good corporate governance are not intended to be prescriptive or comprehensive as there are many ways to apply each.



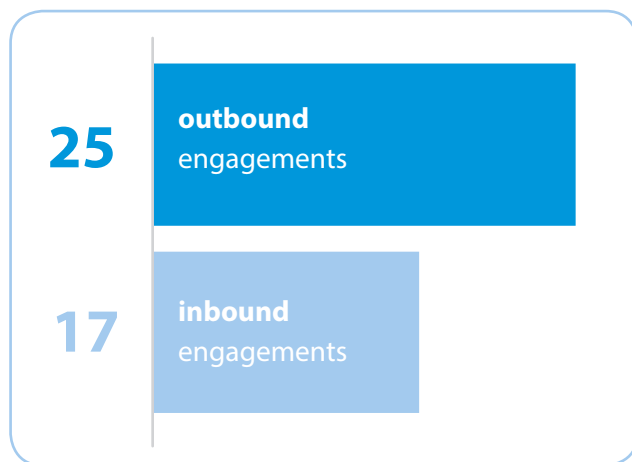
STANDARDS OF INVESTMENT STEWARDSHIP AND CORPORATE GOVERNANCE

INSTITUTIONAL INVESTORS...

- 1 should disclose, in general terms, how they manage potential conflicts of interest that may arise in their proxy voting and engagement activities
- 2 are responsible for proxy voting decisions and should monitor the relevant activities and policies of third parties who advise them on those decisions
- 3 are accountable to those whose money they invest
- 4 should work together where appropriate, to encourage the adoption and implementation of corporate governance and stewardship principles
- 5 should address and attempt to resolve differences with companies in a constructive and pragmatic manner
- 6 should demonstrate how they elevate corporate governance factors with respect to the companies in which they invest

3. **Engagement** – Throughout the year OPERS engaged with public companies to discuss upcoming meetings or targeted initiatives. These discussions originated from both inbound and outbound requests.

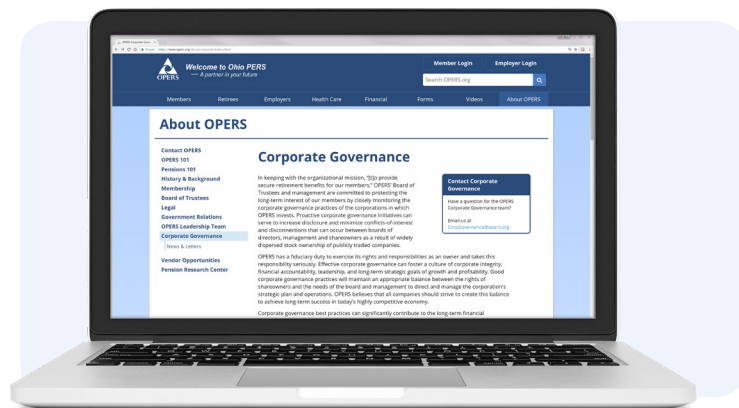
It is not uncommon for a public company to reach out to OPERS and request an annual call or try to gauge how OPERS may vote, if there is an important issue on the ballot. While OPERS does not disclose how we vote beforehand, these discussions provide an opportunity to glean information and ask clarifying questions regarding information contained in research reports or from the proxy agent. **In 2017, OPERS corporate governance engaged with 42 companies.** Seventeen of these engagements were inbound requests and 25 were outbound requests.



Twice a year, as part of the Iran and Sudan Divestment Policy, corporate governance staff engages, via written correspondence, with companies identified by a third party vendor who meet the Iran and Sudan screening criteria. This task involves requesting an explanation of the company's operations in Iran and/or Sudan in an effort to understand the company's business ties with the countries. Since 2007, when the policy was adopted, OPERS has reduced exposure to companies on the scrutinized list by 98.6 percent through 2017. The policy applies to publicly-traded stocks and bonds in the Non-U.S. Equity and Fixed Income Asset Classes that are actively managed in separate accounts within the Defined Benefit and Health Care Funds.

4. **Transparency** – Just as we request transparency from the companies in which we invest, OPERS supports transparency in corporate governance.

The program's policy and guidelines are available at opers.org as are voting results in a searchable format for the current year and three years prior. Comment letters are also accessible from the website. A dedicated email address is available for anyone wishing to submit a question or comment directly to the OPERS corporate governance program at corpgovernance@opers.org.



5. Stewardship – Stewardship encompasses establishing the OPERS corporate governance program in a leadership role within the organizations we belong, as well as providing continual oversight and review of the Corporate Governance and Proxy Policy Committee Charter, Corporate Governance Policy and Proxy Voting Guidelines to ensure best practices are applied and in alignment with our advocacy initiatives and policies.

Prior to joining the Investor Stewardship Group, a review of the OPERS program policy and guidelines was performed to ensure alignment with the six principles previously mentioned (p 9).

Stewardship has a very real connection between the corporate governance program and the OPERS Investments Division. The corporate governance program routinely seeks input from the Investments Division when it comes to matters such as mergers and acquisitions to ensure proper proxy voting. In 2007, OPERS established an Iran and Sudan Divestiture Policy. The policy screens our affected investment portfolios to identify companies that may be doing business in Iran or Sudan. This process reduces our investment exposure to companies

when comparable investments offering similar quality, return and safety are available. The OPERS Iran and Sudan Divestment Committee, who administers the Iran and Sudan Divestment Policy is jointly chaired by the corporate governance staff and the Investments Division. OPERS contracts with a third party to identify companies that fit the screening criteria of the Iran and Sudan Divestment Policy.

The Corporate Governance and Proxy Policy Committee Charter, Corporate Governance Policy and Proxy Voting Guidelines are reviewed annually to ensure the program remains current with governance trends, program focus and initiatives.



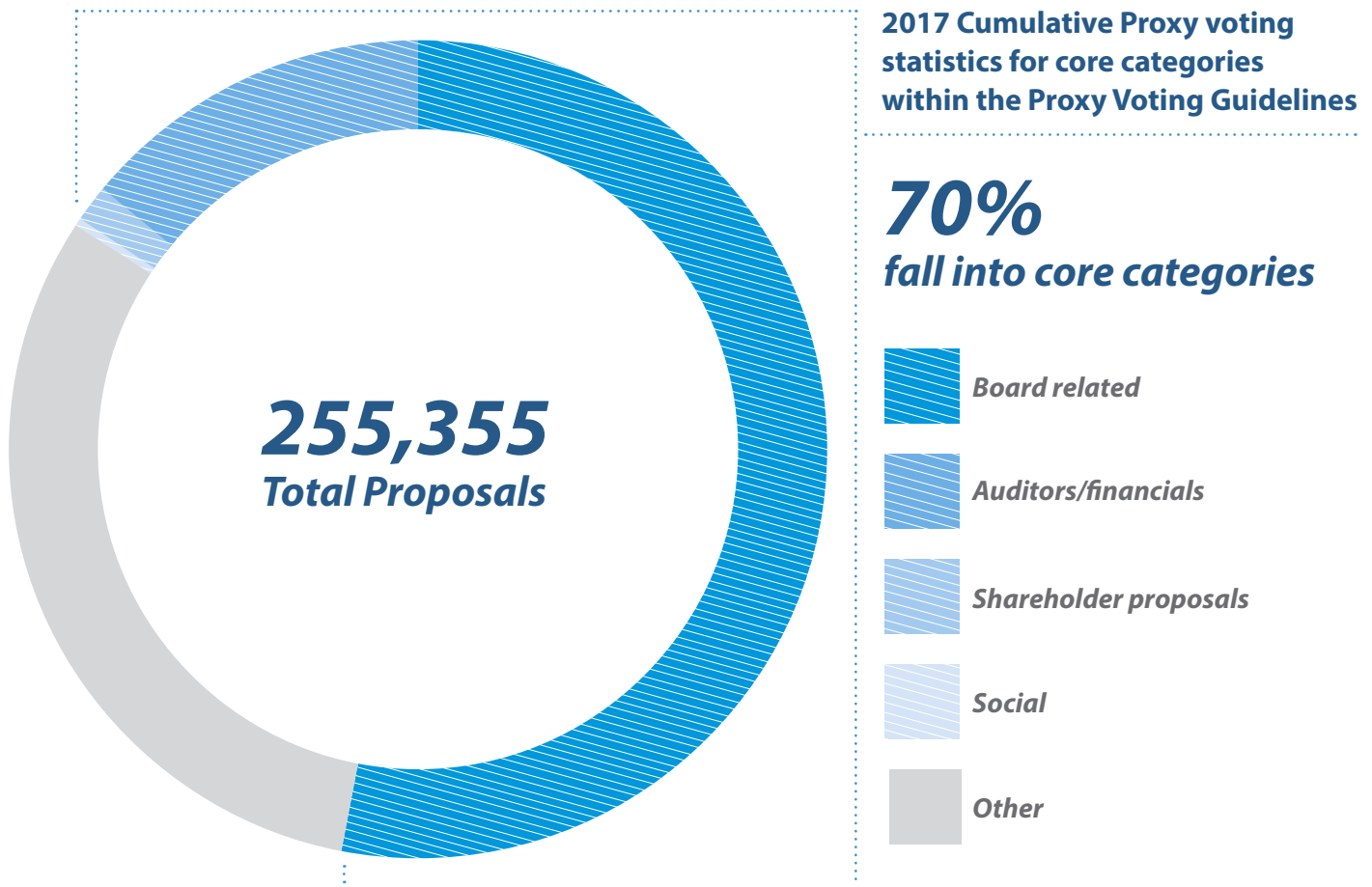
The Annual Corporate Governance Forum is organized by corporate governance staff and provides the opportunity for the OPERS Board of Trustees, Leadership Team, Investor Relations professionals, legislators, Investments staff and Legal personnel to enhance knowledge of corporate governance principles and best practices. The theme for the 2017 forum was Board Composition. The keynote speech addressed the historic evolution of public boards, followed by a session covering executive compensation and finally a fireside chat with an Ohio-based company's lead director.



PROXY VOTING OVERVIEW

OPERS uses a proxy agent firm's platform to access research and perform proxy voting. Each year, a review of the OPERS guidelines is performed to ensure appropriate updating to the rules the proxy agent firm applies for voting items automatically. Items OPERS staff wish to vote manually are also identified and generally will not have auto voting applied unless research is published late. In the case of late research, standing instructions inform the proxy firm how to vote on OPERS' behalf according to the OPERS guidelines.

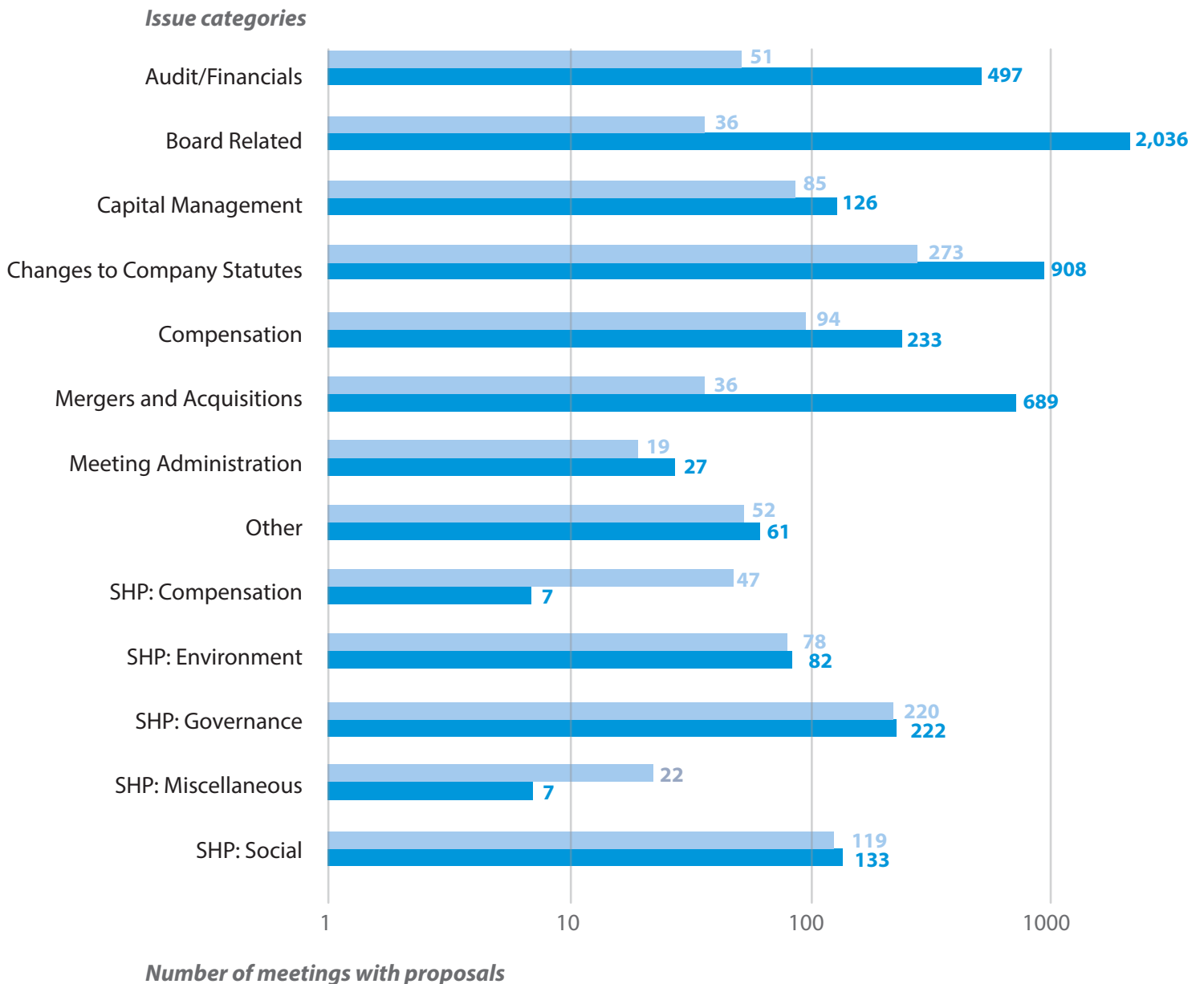
The OPERS proxy policy pertains to both internally and externally managed securities held in public market separate accounts and excludes commingled accounts, mutual funds, most fund-of-one structures and assets lent under the Securities Lending Policy.



Proxy Voting Overview

Manual Votes

OPERS manual votes quadrupled, largely due to the number of proposals related to Board of Directors, such as: classified board structures, committee chairs, board size, etc.



Proposals Manually Voted in 2016 vs. 2017

Proxy Voting – All Votes

Financial Choice Act

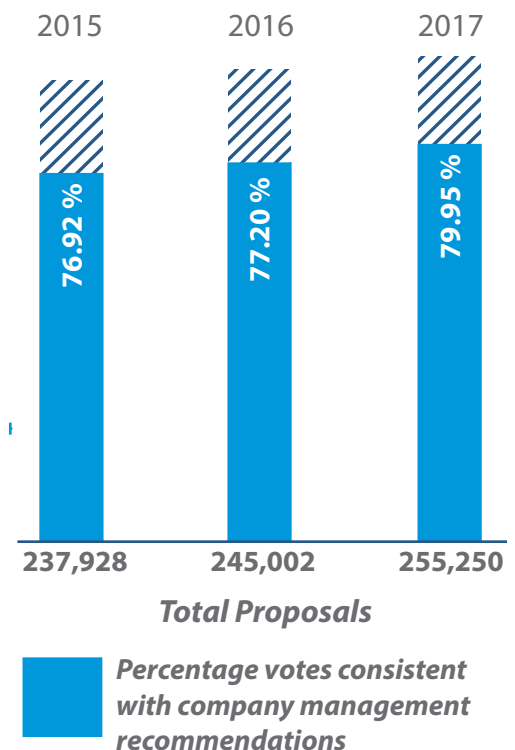
The U.S. House of Representatives passed a bill in 2017, the Financial Choice Act that would repeal many key banking reforms implemented in the Dodd-Frank Wall Street Reform after the financial crisis. The bill also included key corporate governance provisions that would be unfavorable to institutional investors if passed:

- ▲ Modifying SEC Act Rule 14a-8 to increase eligibility requirements to submit shareholder proposals and resubmission thresholds
- ▲ Prohibiting mandating a universal ballot
- ▲ Altering frequency of shareholder approval of executive compensation to only years in which there has been a material change from the previous year
- ▲ Requiring proxy advisory firms to provide companies with a reasonable opportunity to review and comment on draft recommendations and employ an ombudsman to addresses any issues raised

The provision aimed at proxy advisory firms is considerably intrusive, as the proposed regulatory scheme would drive up costs for investors who pay for the independent research necessary to vote proxies in the best interest of plan participants and clients. Another potential effect would be the elimination of smaller proxy advisory firms from an already small pool of vendors.

The proposed regulatory scheme is based on the false premise that proxy advisors “dictate” proxy voting results. There is no compelling evidence to support that assumption and academic studies suggest it is false. Proxy advisory firms play a vital and necessary role in assisting pension funds and other institutional investors with research to carry out their fiduciary duty to vote proxies in the best interest of plan participants and clients. Many investors purchase research from proxy advisory firms but vote according to their own guidelines. As of year-end, the bill was awaiting Senate approval.

OPERS uses a proxy agent firm to provide research and utilizes their platform to cast votes. OPERS votes are cast in accordance with the Board-approved Corporate Governance Policy and Proxy Voting Guidelines and do not rely on the proxy advisory firm to dictate vote decisions. OPERS has consistently advocated against legislation to regulate proxy advisors, as well as the notion that proxy voting firms universally drive the institutional investor vote. Statistics from the last several years show OPERS voting in relation to management.



Proxy Voting Overview

Board Diversity

Investors continue to push boards to demonstrate they are taking a strategic and proactive approach to board refreshment. In particular, they are looking for indicators that boards are adding directors with the skill sets necessary to complement the company's strategic direction, and ensuring a diversity of backgrounds and perspectives to guide that strategy. A Fenwick & West Gender Diversity Survey determined that, in certain sectors, there are an increasing amount of female directors and declining numbers of boards without female members.² In addition, many investors are now willing to vote against either the chair or the entire nominating committee of companies with either no female directors or only one, if they have previously attempted to secure change at these companies through engagement.³

Through our Ohio engagement strategy, OPERS has experienced a 25 percent increase in the number of boards adding a woman to the board or companies adding language to their Nominating and Governance Policy/Charter to strengthen the company's commitment to diversity. Our efforts within the various coalitions for 2017 are depicted on this page.

Midwest Board Diversity Coalition

100%
SUCCESS

Adoption of a board diversity policy.

Women's US Diversity Coalition

58%
SUCCESS

Made a change in diversity policy and/or an appointment of a diverse director.

OPERS Ohio Initiative

25%
SUCCESS

Either a woman was added to the board or language was added to the nominating and governance policy/charter.

Thirty Percent Coalition

12%
SUCCESS

A woman was added to the publicly traded board.

Progress is slow but continues to inch forward. In 2017, State Street Global Advisors announced they would start voting against the chair of the nominating and/or governance committee if no action is taken to increase the number of women on boards with either no or less than 15 percent female representation on the board. Companies were given a year to comply with increasing gender representation on their boards.⁴ One year after State Street Global Advisors installed the Fearless Girl statue on Wall Street, 152 companies out of a targeted pool of 700 have placed a woman on their boards and another 34 have committed to doing so within the relative short-term.⁵

Similarly, BlackRock announced a specific focus on increased gender diversity in the boardroom and indicated they would vote against members of the nominating committee of boards without female representation.⁶ In 2017, BlackRock supported eight of nine board diversity-related shareholder proposals.⁷



2017 CORPORATE GOVERNANCE NOTABLE EVENTS NATIONWIDE:

- [Financial Choice Act](#)
- [Fearless Girl statue – State Street Global Advisors](#)
- [BlackRock announces it will vote against boards lacking gender parity](#)
- [State Street Global Advisors announces it will vote against chair of governance committee if no action is taken to increase number of women on boards](#)
- [FTSE Russell sets voting rights minimum for inclusion on indexes](#)

Voting Rights

SNAP Inc. (SNAP) was the largest initial public offering (IPO) from the technology industry in some time. Aside from this fact, it was also unique in that the stock was issued without any shareholder voting rights. This stock offering went further than the issuance of multiple share classes that contain differential voting rights – it eliminated all shareholder voting power. In response, FTSE Russell compiled client feedback and established a minimum voting rights threshold for index eligibility, becoming the first index provider to address the corporate governance principle of shareholder voting.⁸



2017 OPERS Global Proxy Voting Trends

2017 OPERS GLOBAL PROXY VOTING TRENDS

For OPERS staff, the election of directors, executive compensation and proposals regarding mergers and acquisitions continued to be the focus of proxy voting in 2017.

Election of Directors

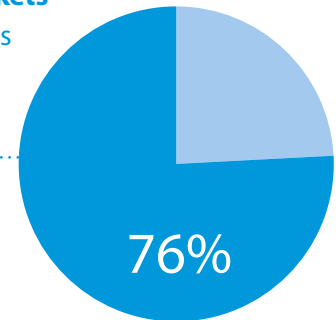
In international markets, the characterization of these proposals can be a challenge as the votes for the election of directors could include other issues bundled in the proposal, a slate vote for the directors (no individual votes) or an election of directors to supervisory board or various committees. In light of the vast formatting of the board-related items on the ballot, OPERS votes are cast according to its Corporate Governance Policy and Proxy Voting Guidelines. The **election of directors' vote in the international market** has remained consistent over the past three years with OPERS supporting management 76 percent of the time.

In the U.S., the structure of director elections has been completely transformed as companies move away from staggered boards to annual elections and implement majority voting. For many companies, these changes have been driven by investors through the submission of shareholder proposals. The **election of directors in the U.S. market** has remained consistent over the past three years with OPERS supporting management 84 percent of the time.

International Markets

Election of Directors

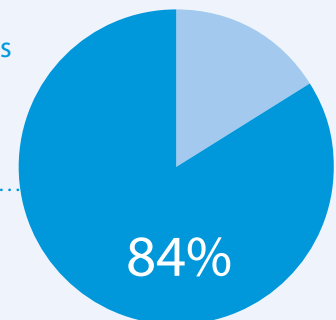
OPERS
Votes with
Management



U.S. Market

Election of Directors

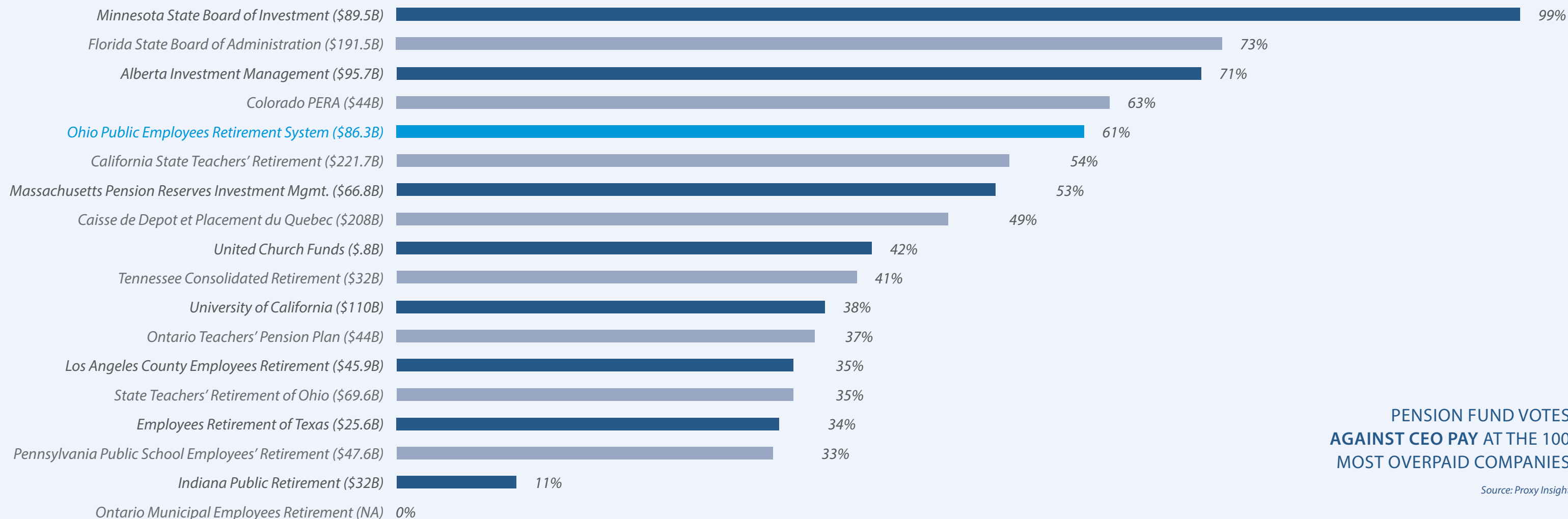
OPERS
Votes with
Management



Executive Compensation

Executive compensation continues to be intensely scrutinized by investors and has resulted in companies continuing to measure the structural integrity of their plans by bolstering alignment between executive pay and corporate financial and shareholder returns. In the U.S. market during 2017, OPERS voted for 74 percent of the executive compensation plans in comparison to 66 percent of the remuneration reports in non-U.S. markets. OPERS voted against reports with incomplete company information, poor overall disclosure, excessive or high compensation or cash, and concerns with bonus payments.

One report, “The 100 Most Overpaid CEOs 2018”, looked at 500 companies in the S&P 500 index regarding votes on CEO pay packages. The report identified the list of CEOs based on information about shareholder voting with U.S. public companies publicly available on proxy statements and votes recorded at annual meetings in 2017. **Among their findings was that institutional shareholder votes on pay vary considerably, with pension funds far better at exercising fiduciary responsibilities.**⁹ See below.



PENSION FUND VOTES AGAINST CEO PAY AT THE 100 MOST OVERPAID COMPANIES

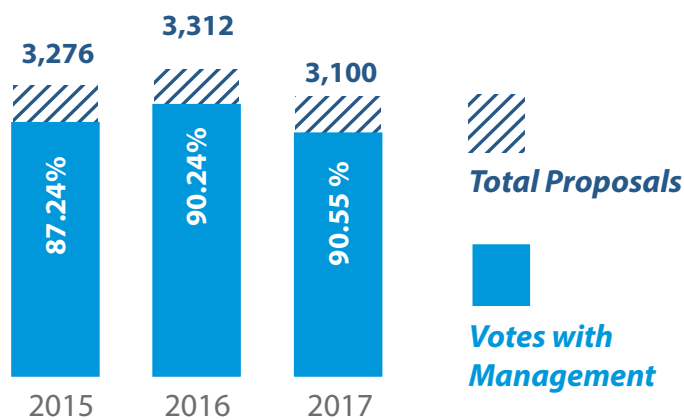
Source: Proxy Insight

2017 OPERS Global Proxy Voting Trends

Mergers & Acquisitions

As companies evaluate their business models and strategies, they often restructure with mergers and acquisitions. Proxy issues related to mergers and acquisitions are reviewed by staff to determine the recommendations and proposals presented by company boards and OPERS' proxy voting research provider. For 2017, the number of mergers and acquisitions proposals in OPERS U.S. and international portfolios have decreased slightly from the previous two years where they were relatively level. In the past three years, OPERS voted 98 percent of the time to support U.S. **M&A activity** and voted to support International M&A activity 89 percent of the time.

MERGERS & ACQUISITIONS PROPOSAL AND VOTING TRENDS



A common nuance of **international voting** is that record date (the date which settled shares determine voting access) is later than the voting cutoff date for Non-U.S. meetings. When this occurs, OPERS votes are cast in accordance with the voting cutoff date and, in many cases, are done so successfully. There could be occasions when shares settled on the record date differ from shares settled on the voting cutoff date, which would impact whether OPERS votes are accepted. In 2017, there were 7,515 meetings and 7,002 ballots where the record date was later than the voting cutoff date.

INTERNATIONAL RECORD DATE

Region	Number of meetings in which record date is later than cutoff date
Europe	3,517
Asia	2,080
North America	1,055
South America	551
Africa	172
Oceania	140

LOOKING AHEAD TO 2018

OPERS corporate governance staff will continue to focus on diversity, engagement, advocacy, transparency and stewardship as it can take time to accomplish change, especially when results are dependent upon factors such as board refreshment, or the time commitment to enable boards to dialogue with shareholders and each other

prior to proposing a change in committee charter or practices. Through our own initiative targeted in Ohio, as well as collaborations focused throughout the U.S. with our institutional investor peers, OPERS is committed to increasing long-term shareholder value.

Corporate Governance Links

To access voting activity or to review the Corporate Governance Policy or Proxy Voting Guidelines, access the links below on opers.org

- [OPERS proxy voting activity](#)
- [Corporate Governance Policy](#)
- [Proxy Voting Guidelines](#)



REFERENCES

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https://www.2020wob.com/company_directory?company=&city=&women_on_board=§or=All&state=Ohio&rating=
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