Introduction

- Proxy Voting is a way for shareholders to influence a company’s corporate governance, activities of social responsibility and financial considerations.

- It is important for shareholders to participate in voting and make their decisions based on a full understanding of the information presented to them in the proxy statement.

- CTPF exercises Proxy Voting rights with the same care, skill, diligence and prudence that is exercised in managing other Fund assets in accordance with all applicable statutes and consistent with Board policy.
Procedure Overview

- Staff reviews CTPF’s Proxy Voting Policy annually to ensure that current proxy issues are addressed. Any changes deemed necessary are submitted to the Board for approval.

- Staff implements CTPF’s proxy voting process with the Voting Fiduciaries also known as Investment Managers in accordance with CTPF’s policy.
CTPF Proxy Themes & Guidelines

CTPF’s Board of Trustees adopted the following Proxy Voting Themes and Guidelines that demonstrate the core values of CTPF.

- Board & Employee Diversity
- Corporate Governance (Board Elections & Oversight)
- Director, Executive, and Employee Compensation
- Political and Charitable Contribution
- Transparency and Disclosure Compliance
In 2018 Voting Fiduciaries Voted in Accordance with CTPF’s Proxy Voting Policy for the following accounts:

<table>
<thead>
<tr>
<th>Domestic Equity</th>
<th>International Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attucks</td>
<td>Ariel</td>
</tr>
<tr>
<td>BMO</td>
<td>DFA</td>
</tr>
<tr>
<td>Channing</td>
<td>Earnest Partners</td>
</tr>
<tr>
<td>Conestoga</td>
<td>Lazard</td>
</tr>
<tr>
<td>*Ivy Investments</td>
<td>Leading Edge</td>
</tr>
<tr>
<td>Northern Trust</td>
<td>Morgan Stanley</td>
</tr>
<tr>
<td>Phocas</td>
<td>Strategic Global</td>
</tr>
<tr>
<td>Rhumbline</td>
<td>William Blair</td>
</tr>
<tr>
<td>Zevenbergen</td>
<td></td>
</tr>
</tbody>
</table>

*Ivy Investments*

The Board of Trustees of the Public School Teachers’ Pension and Retirement Fund of Chicago ("CTPF") voted on May 17, 2018 to terminate Ivy Investments.
2018 Voting Activity

26,955 Proposals

83%
22,252 votes in favor of management

16%
4,279 votes against management

2%
424 Other
(Abstain, Non-Voting, Withheld)
Most Common Management Proposals Voted in 2018

**Election of Directors:**
- 18,589 Proposals
- 15,524 For (83%)
- 2,715 Against (15%)
- 350 Abstain (2%)

**Ratification of Auditors:**
- 2,842 Proposals
- 2,250 For (79%)
- 585 Against (21%)
- 7 Abstain (0%)

**Say On Pay:**
- 2,444 Proposals
- 2,218 For (91%)
- 218 Against (9%)
- 8 Abstain (0%)

**Say When On Pay:**
- 204 Proposals
- 168 For (82%)
- 34 Against (17%)
- 2 Abstain (1%)
2018 Corporate Governance Highlights
Board Composition and Diversity

- Investors continue to pressure boards to demonstrate that they are taking a strategic and proactive approach to board refreshment.

- Investors are looking for indicators that boards are adding directors with the skills necessary to complement to company’s strategic direction and ensuring diversity of backgrounds and perspectives to guide that strategy.
Executive Compensation remains a focus for shareholders, management teams and boards alike. Many investors believe there needs to be a better alignment of compensation with individual and company performance.

Current SEC rules require most public companies begin disclosing the CEO pay ratio in their proxy statements starting in 2018.
Proxy Access

- Proxy access is a mechanism that allows shareholders to nominate directors and have those nominees listed in the company’s proxy statement and on the company’s proxy card.

- In 2015, proxy access was just starting to become widespread on a company-by-company basis. In 2016 CTPF voiced its support for proxy access by adding factors to consider to the proxy policy.

- In 2018, 90 companies adopted proxy access.

- At least 17 companies that have been targeted for inadequate board diversity over the past two years have added a minimum of one female and/or minority director.

https://corpgov.law.harvard.edu/2019/02/01/the-latest-on-proxy-access/
Proxy Access

Pace of Proxy Access Adoptions

Yearly Total
Cumulative Total

2014: 15
2015: 118
2016: 226
2017: 131
2018: 90

https://corpgov.law.harvard.edu/2019/02/01/the-latest-on-proxy-access/
Shareholder Engagement

- Boards have become more comfortable with direct investor communication around corporate governance issues and are making significant strides in establishing protocols and practices to structure their communication with investors.

- Shareholders are exerting more influence on how boards and management teams operate. Institutional investors and shareholder activist demand greater transparency, including more engagement with independent directors.
Board Composition and Diversity – Recent News

- June 1, 2019, the Illinois General Assembly passes the “Diversity Disclosure Bill” requiring most publicly held companies headquartered in Illinois to include detailed demographic diversity information in their annual reports required to be filed with the Illinois Secretary of State. The Bill is expected to be signed by Governor J.B. Pritzker.

- The Diversity Disclosure Bill also calls for the University of Illinois System to publicly report on the demographic characteristics of directors and officers of subject companies and to publish individual ratings of companies based on their reported information.

- The Diversity Disclosure Bill could lead the way for broader diversity tracking and voting guidelines by proxy advisory firms in the future.
## Looking Ahead at 2020

<table>
<thead>
<tr>
<th>Board and Governance</th>
<th>Compensation</th>
<th>Environmental &amp; Social Issues</th>
<th>Activism and Mergers &amp; Acquisitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender Diversity on Boards</td>
<td>Pay for Performance</td>
<td>Climate Change Risk</td>
<td>Contested Mergers</td>
</tr>
<tr>
<td>Risk Oversight</td>
<td>Clawbacks</td>
<td>Human Capital Management</td>
<td>Contested Votes</td>
</tr>
<tr>
<td>Shareholders Rights</td>
<td>162(m) Changes</td>
<td>Curbing Shareholder Proposals</td>
<td>New Types of Activism</td>
</tr>
</tbody>
</table>
Appendix

- **162(m) Changes** - Code Section 162(m) imposed a $1M limit on publicly traded company tax deductions for most compensation paid by a company to its “covered employees” in a fiscal year. In 2018 it will cost companies more to pay the same compensation that they paid in 2018. A covered employee is an employee who on the last day of a fiscal year was either the Chief Executive Officer (or equivalent) or one of the highest three paid officers whose compensation was required to be reported in the summary compensation table of the company’s proxy. The bill changed the definition of a “covered employee” to include the CFO.

- **Human Capital Management** - Concerns involving harassment will focus more on corporate culture, behaviors, gender pay gaps, along with other human capital management issues.

- **New Types of Activism** - Unions and activist groups continue to experiment with diverse tactics that set the level of aggressiveness for proxy contests. Due to these groups often having great influence over pension funds they are able to pressure companies by having the funds write letters and even offer shareholder resolutions at corporate annual meetings. More and more companies find themselves dealing with aggressive union-sponsored shareholder resolutions.

- **Risk Oversight** - Joining cyber threats sexual harassment may be at the top of the list of shareholder-director engagement topics in 2018. It is expected that shareholders will come hard on directors who do not address problematic corporate cultures.