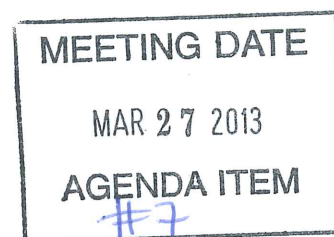


## Memorandum

**Date:** March 21, 2013  
**To:** CCCERA Board of Retirement  
**From:** Timothy Price, Retirement CIO  
**Subject:** Proxy Voting Guidelines



### ***Recommendation***

Staff recommends CCCERA adopt one of the standard set of proxy voting guidelines offered by Institutional Shareholder Services (ISS). CCCERA has used ISS to vote our proxies in accordance with CCCERA's custom Benchmark for over a decade. ISS is one of the primary firms offering proxy voting services, and as such has access to the guidelines of most institutional investors. ISS has compiled these guidelines into best practices for various types of clients. Staff recommends considering the ISS Benchmark or Public Fund Proxy voting guidelines.

CCCERA has maintained custom proxy voting guidelines since 1990. The primary benefit of doing so will be to maintain compliance with the new requirements coming out of the Dodd-Frank legislation without having to continually revisit and amend our current guidelines. Our review of the ISS guidelines shows that they include substantially all of the issues addressed in the current CCCERA guidelines. The advantage of the ISS guidelines is that they encompass additional issues (more say-on-pay issues) and their language is much more specific on most issues. The final benefit is a projected cost savings of \$5,000 per year by moving to the ISS policies and not paying ISS for their current custom guideline voting service.

### ***Overview***

CCCERA has maintained its own Proxy Voting Guidelines since 1990. The guidelines have been updated periodically, most recently in 2007. The past several revisions have been made primarily to bring CCCERA guidelines into alignment with ISS best practices. In speaking with other systems, best practice would generally be to update proxy voting guidelines annually **and** after every regulatory change. In light of the volume of rulemaking coming out of Dodd Frank legislation, it has become less practical to have staff do this. Staff believes this role is best outsourced to an expert in the field, such as ISS.

ISS continually monitors the evolving nature of legislative requirements and updates the standard ISS policies continually.

### ***Dodd Frank Requirements***

The Dodd Frank legislation will lead to a vast collection of new rules designed to increase the transparency and accountability of the financial system. While the rulemaking process is still in its early days, there have been new rules written that pertain directly to plan sponsors, specifically in the areas of corporate governance and disclosure. These sections require plan sponsors to adopt rules regarding disclosure of pay-for-performance and pay ratios as well as propose and adopt rules regarding recovery of executive compensation. While CCCERA's current guidelines address these issues, the language is not specific or comprehensive enough to comply with the Dodd Frank requirements.

### ***Summary***

The current CCCERA guidelines have served the Association well for over 20 years. However, we now face an expected wall of new rules while we lack the staff necessary to stay full apprised of these developments. As such, we recommend outsourcing this function to ISS in their capacity as our proxy voting service provider. The following pages show the high level differences between CCCERA's current policy and both the ISS Benchmark and Public Fund Policy. Staff believes both policies are viable for CCCERA.

### *Summary of Key Differences*

<b>Issue</b>	<b>Current CCCERA</b>	<b>ISS Benchmark</b>	<b>ISS Public Fund</b>
Election of Directors and Related Matters	CCCERA policy primarily focused on ensuring Board competence, independence and attendance.  Silent on proxy access to nominate Board.	Focused on Board competence, performance and independence.  Vote FOR proxy access to nominate Board of Directors.	Similar to Benchmark Policy, but Public Fund Policy classifies directors who have served continuously for more than 10 years as Affiliated Outsiders.
Anti-Takeover and Related Proposals	Supports Poison Pills with limited scope and duration.	Evaluated on a CASE-BY-CASE basis based upon the nature of the poison pill terms.	Similar to Benchmark policy.
Capital Structure and Related Proposals	Vote FOR issuance of additional stock for clear and reasonable purposes.	Vote FOR issuance of more stock if the project that the additional stock will be used for is on the same ballot.  Vote AGAINST proposals if company has multiple classes of common stock and new issuance will have superior voting rights.	Vote on a CASE-BY-CASE basis based upon Board's past performance and the nature of the current request.
Compensation Issues	Strong focus on broad employee participation in stock option plans.  Opposed to Golden Parachutes, but narrowly defined.  Say on Pay (Dodd Frank) issues not addressed.	Alignment of pay and performance, focus on the presence of problematic compensation practices, shareholder value transfer.  Say on Pay issues addressed.	Alignment of pay and performance. Higher bar on presence of problematic or excessive compensation practices, voting power dilution (15% limit), grant rate to the top 5 executives (15% limit)

Social Responsibility Issues	Endorses respect for labor, environmental laws.  Endorses MacBride and CERES Principles.	Vote on case by case basis for most social and environmental issues. Generally vote FOR only when shareholder value is maximized.  Generally vote AGAINST MacBride Principles. CERES Principles not addressed.	Generally support social, workforce and environmental shareholder-sponsored resolutions.  Generally vote FOR MacBride and CERES Principles.
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