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# 2014 Proxy Guideline Update

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# Proxy Background



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- PSERS initially retained Glass, Lewis and Co., Inc. (Glass Lewis) to provide analysis of proxy issues, vote recommendations, and vote execution beginning January 1, 2006. Glass Lewis' contract was renewed effective January 1, 2011 following their successful RFP bid.
- Glass Lewis is an independent proxy voting firm and does not offer consulting services to corporations on which it issues research reports and recommendations. Furthermore, Glass Lewis does not provide proxy solicitation consulting services to shareholder proponents.

# Proxy Background



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- Glass Lewis serves more than 900 institutional clients worldwide that collectively manage more than \$15 trillion in assets.
- Glass Lewis provides research and analysis on more than 23,000 public companies based in over 100 countries around the world.
- Glass Lewis employs 300 people in five offices around the world, two-thirds of whom are dedicated to research.

# The Glass Lewis Approach



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- Makes proxy vote recommendations with a focus on improving long-term value to shareholders and mitigating risk
- Looks at each company individually to determine what is in the best interest of shareholders
- Exercises independent judgment while staying true to their philosophy and the best practices in each market

# PSERS' Proxy Vote History



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- PSERS' proxy votes can be viewed online from a link on PSERS' website to Glass Lewis' web site
  - Vote information is available the day after a company meeting occurs at:  
[www.psers.state.pa.us](http://www.psers.state.pa.us)

# PSERS' Proxy Voting Policy



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- Since the mid-1990's, PSERS' proxy policies have been modeled after standard guidelines recommended by our proxy research and voting service with PSERS' specific policies as an overlay.

# PSERS' Proxy Voting Policy



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- PSERS' proxy voting policies incorporate the Glass Lewis policy guidelines with overrides for:
  - Reincorporation proposals;
  - MacBride Principles; and,
  - Certain other shareholder initiatives.

# PSEERS' Proxy Voting Policy



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There were several noteworthy revisions to the Glass Lewis U.S. policy guidelines, including:

- Glass Lewis expanded the guidelines to reflect its view that boards working to protect and enhance the best interests of shareholders are refreshed periodically to ensure a suitable combination of director terms.
- Glass Lewis will consider recommending that shareholders vote against all nominees up for election that served throughout the previous year if the company failed to implement a shareholder proposal seeking board declassification which received majority shareholder support at the previous year's annual meeting.





# PSERS' Proxy Voting Policy

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- Glass Lewis has updated its policy to reflect its belief that hedging of shares by executives in the shares of companies where they are employed dissolves the alignment of interests with company shareholders.
- Glass Lewis will consider recommending that shareholders vote against all members of the governance committee if a poison pill with a term of one year or less was adopted without shareholder approval.

# PSEERS' Proxy Voting Policy



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- Revision to the Glass Lewis International policy guidelines include:
  - Glass Lewis expanded the guidelines to reflect its view that boards working to protect and enhance the best interests of shareholders are refreshed periodically to ensure a suitable combination of director terms.
  - Glass Lewis has refined its policy to make it clear that the overall compensation policies proposed by a company are examined when evaluating a company's remuneration practices.



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