

# Update on Proxy Voting Results

Joint Committee on Pensions, Investments and Benefits

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# Introduction

- House Bill 2100 was passed during the 2023 legislative session and was effective July 1, 2023.
  - This bill, in part, established parameters for the System's proxy voting activity.
- The System hired Egan-Jones to vote proxies, utilizing Egan-Jones' Wealth Focused Principles and Guidelines as the System's Proxy Voting Policy.
  - The System's Proxy Voting Policy was adopted in accordance with the Kansas Public Investment and Contracts Protection Act as enacted by the 2023 Legislature in HB 2100.
- Prior to hiring Egan-Jones, the System delegated authority to vote proxies to the System's investment managers.
- Fiscal year 2024 is the first year that Egan-Jones voted proxies on behalf of the System.
  - Egan-Jones must cast proxy votes in accordance with the System's Proxy Voting Policy.
- This presentation discusses the transition to Egan-Jones and provides a review of the operational and steps put into place to implement the new guidelines.
- We will also provide a summary of the proxy voting results for voting activity from July 1, 2023 through June 30, 2024.

# Proxy Voting Policy

- The Board of Trustees held a special board meeting on April 27, 2023, approving the creation of a Procurement Negotiating Committee (PNC) to conduct a search for a proxy voting advisory firm.
  - Egan-Jones was hired and began voting the System's proxies effective July 1, 2023.
- The Egan-Jones Wealth Focused Principles and Guidelines were adopted as the System's Proxy Voting Policy.
- Under these guidelines vote recommendations are based only upon the objective to protect and enhance the wealth of investors, which include the following:
  - "Stakeholder capitalism" proposals will be opposed by this policy. Exceptions only exist when proposals are directly tailored to revenue generation or satisfy legal or regulatory requirements.
  - Directors should be accountable to shareholders, and management should be accountable to directors.
  - Information on the Company supplied to shareholders should be transparent.
  - Shareholders should be treated fairly and equitably according to the principle of one share, one vote.
- The Egan-Jones guidelines were in effect on July 1, 2023.

# Proxy Voting Operations

- The System's Investment staff oversee proxy voting activity.
- Egan-Jones sends an email to staff for each ballot analyzed and provides a report and recommended vote.
- KPERS staff reviews approximately 20-30 email reports per day during proxy season (April-June):
  - Each report is specific to a company and contains all voting items, the Wealth Focused Guidelines voting recommendation for each item, company management recommendation and voting logic for each item.
- Voting reports are reviewed to ensure that votes are being cast appropriately:
  - The report covers votes cast looking ahead about one month and can contain thousands of data entries.
  - A key word search is systematically conducted to identify proposals which may fall under the social, political or ideological definition contained in statute.
  - These entries are cross referenced with the email reports on a case-by-case basis to ensure accuracy in the application of the Wealth Focused Guidelines.
- Vote activity is retained and compiled for end of year reporting to the Board of Trustees, the Joint Committee on Pensions, Investments and Benefits and to the public via the System's web-site.

# Proxy Voting Results: Fiscal Year 2024

- To summarize fiscal year 2024 voting activity:
  - A total of 55,229 votes were cast across eight managers.
  - Approximately 2.5% of the voting activity were shareholder proposals. The balance came from management.
  - Of the shareholder proposals, approximately one-half (1.2%) were identified as environmental or social issues.
  - No votes cast by the System were identified in violation of the Kansas statute.
- The System compiled a report which details each proxy matter voted in fiscal year 2024, as required by statute.
  - A hard copy of this report is available to the Joint Committee on Pensions, Investments and Benefits upon request.
  - A copy of the report is posted on the System's website for public access.
- A memo summarizing fiscal year 2024 proxy activity was provided to the Joint Committee on Pensions, Investments and Benefits as required by statute.
- Fiscal year 2024 proxy voting activity was reviewed with the System's Investment Committee at their meeting in July 2024. A final update was provided to the Board of Trustees as part of their September 2024 meeting material.