

**THE CORPORATE GOVERNANCE COMMITTEE  
OF THE  
BOARD OF TRUSTEES  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

**MINUTES OF MEETING**

**January 21, 2020**

The Corporate Governance Committee met on Tuesday, January 21, 2020. The meeting was held in the Board Room on the 16th floor of the State Retirement Agency, 120 E. Baltimore Street, Baltimore, MD 21202.

Members Attending:	David Brinkley Sheila Hill, Chairman	Charles Johnson Nancy K. Kopp Douglas Prouty (via phone)
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Also Attending:	Rachel Cohen (OAG) Alex Harisiadis (OAG) Dean Kenderdine	Andrew Palmer Jody Shaw (OAG) Toni Voglino
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Ms. Hill called the meeting to order at 9:19 a.m.

**Minutes**

On a motion made by Mr. Johnson and seconded by Ms. Kopp, the open session minutes from the August 20, 2019 meeting were ratified by the Committee.

**2020 Corporate Governance Committee Meeting Dates**

On a motion made by Mr. Prouty and seconded by Mr. Johnson, the Committee ratified the 2020 Corporate Governance Committee meeting dates of:

Tuesday, February 18, 2020  
Tuesday, June 16, 2020  
Tuesday, August 18, 2020  
Tuesday, December 15, 2020

Ms. Voglino commented that these dates may change depending on the outcome of the discussion at the Board of Trustees meeting on January 21, 2020 regarding the 2020 meeting dates.

## **Corporate Governance Engagement Activity**

The Committee considered the engagement activity of signing-on to the Principles for Responsible Investment (PRI) letter to the SEC indicating opposition to the proposed rule changes related to shareholder proposals and proxy advisor's analysis and recommendations.

Ms. Voglino directed the Committee's attention to the memorandum describing the proposed Securities and Exchange Commission (SEC) rules and detailed how the proposed rules could impact the System. Ms. Voglino detailed that the proposed changes to SEC's Rule 14a-8 would increase ownership requirements to submit a proxy proposal from the current ownership threshold of \$2,000 or 1% ownership for at least one year from the date the proposal is submitted to \$2,000 in ownership for a three year holding period, \$15,000 ownership for a two year holding period, and \$25,000 ownership for a one year holding period. In addition, the proposed rule would increase the thresholds of support that a proposal must receive in order to submit a proposal again. The proposed increases are from 3% to 5% for matters voted on once, 6% to 15% for matters voted on twice, and 10% to 25% for matters voted on three times. Ms. Voglino further detailed that the increase in ownership or support thresholds, as outlined in the proposed rule, diminishes shareholder rights. As such, the System should oppose the SEC's proposed rule changes to 14a-8. The Board has formally opposed any decrease in shareholder rights within the System's proxy policies in the Investment Policy Manual. In addition, in the past, the System has supported letters to the SEC opposing any increase in ownership thresholds required to submit a proxy proposal.

Ms. Voglino detailed that the SEC's proposed rule would also require proxy advisors to share their proxy analysis, research, and recommendations to the public companies — the subject of the recommendation — for review and comment prior to the proxy advisor providing it to their clients. Ms. Voglino indicated that this is troublesome because the public company could influence the proxy advisor's analysis or recommendation, which is supposed to be independent. As such, Ms. Voglino recommended the System should not support the SEC's proposed changes to Rule 14a-8.

On a motion by Ms. Kopp and seconded by Mr. Johnson, the Committee unanimously approved the motion to allow the System to sign on to letters opposing the SEC's proposed Rule 14a-8. This included not just the PRI letter, but other letters as well due to concerns that the proposed rule would diminish shareholder rights by increasing the thresholds necessary to submit shareholder proposals and would also weaken the independence of the proxy research, analysis, and recommendations the System receives from proxy advisors by requiring those advisors to share their research, analysis, and recommendations with the public companies, the subjects of the recommendations, prior to sharing it with their clients.

## **Adjournment**

There being no further business before the Committee, on a motion made by Ms. Kopp and seconded by Mr. Johnson, the meeting adjourned 9:29 a.m.

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Toni Voglino