

Governance Manual

MainePERS Board of Trustees

Board Responsibilities – Investments and Administration

2.7 – Engagement

Date Adopted: February 11, 2016

Date Amended: October 11, 2018; November 18, 2021

Policy

MainePERS is the fiduciary for funds it is assigned to manage. MainePERS shall be a good steward for the funds entrusted to it, managing and investing these funds as a “prudent investor” in accordance with the “exclusive benefit rule” and the laws and Constitution of the State of Maine. MainePERS shall also promote the long-term success of companies with which the System invests through engagement activities.

Statutory/Legal Provisions

- [Me. Const. art. IX, § 18.](#)
- [5 M.R.S. §§ 17102, 17103, 17435; 18-B M.R.S. § 801, et seq.](#) (Maine Uniform Trust Code); [18-B M.R.S. § 901, et seq.](#) (Maine Uniform Prudent Investor Act).
- [5 M.R.S. §§ 17153\(4\).](#)
- Restatement (Third) of Trusts § 78(1) (2007) (the “sole interest rule”).
- The Employee Retirement Income Security Act (“ERISA”), codified at [29 U.S.C. § 1002, et seq.](#), provides a description of the standard of care that applies to trustees of private sector retirement plans. Although the System as a public retirement plan is not specifically governed by the fiduciary duty standard set forth in ERISA, courts will often consider the standard set forth in ERISA when addressing public pension plan issues. Under ERISA, a fiduciary must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person (expert) acting in a like capacity would act. This statutory standard is derived from the common law of trusts, which is applicable in the State of Maine.

Engagement

Engagement is encouraging long-term success and growth of publicly traded companies with whom MainePERS invests through activities such as:

- Direct engagement
- Participating in or sponsoring shareholder litigation
- Proxy voting

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Direct Engagement

MainePERS will maintain a direct engagement effort consistent with the need for and resources available to encourage the publicly traded companies in its portfolio to achieve long term growth and success, balancing the long term focus of good stewardship with the short term challenges the company faces. Direct engagement opportunities may be based on continuous monitoring of its investments including investment analysis, trade publications, trade organizations, or coordination with other institutional investors.

Direct engagement includes written and oral communication to companies, including attending shareholder meetings and sponsoring shareholder resolutions in unusual circumstances.

Shareholder Litigation

MainePERS will participate in shareholder litigation only to the extent that participation is likely to benefit MainePERS members as pension beneficiaries. MainePERS generally will not assume the role of lead plaintiff in a securities class action unless no other investor with interests similar to MainePERS and sufficient resources to support the litigation is willing to serve as lead plaintiff and the System otherwise will lose the benefit of the litigation to members.

Proxy Voting

MainePERS will vote its proxies in the best interests of its members as pension beneficiaries. This will generally mean focusing on good stewardship by the companies with which MainePERS invests, including:

- Voting to optimize each company's value to shareholders, balancing the long-term focus of good stewardship with the short-term challenges the company faces. Good stewardship includes establishment of effective governance and management practices, responsibility to employee and customer welfare, and responsibility to the environment;
- When there is a conflict between long- and short-term interests, voting shall be in favor of proposals that maximize shareholder control consistent with effective business operations of the company;
- Refraining from voting to further the interests of any group other than the best interests of MainePERS members as pension beneficiaries.

The Chief Executive Officer and Chief Investment Officer shall implement this direction by engaging a proxy voting agent to vote shares of stock owned by MainePERS. The MainePERS investment team shall create, maintain, and update general guidance in the following areas that the proxy voting agent can use to map to proxy votes available to MainePERS:

- Management resolutions
 - Elections of officers
 - Ratification of auditors
 - Governance structure and shareholder rights
 - Compensation

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- Shareholder proposals
 - Environment
 - Social matters
 - Governance
 - Compensation
- Mergers and proxy contests

The MainePERS Investment team shall work with the proxy voting agent to determine MainePERS' position on proxies not directly covered by the implementation guidance. The Investment team shall monitor the proxy voting agent's implementation of the MainePERS guidance and report semi-annually to the Board of Trustees. The Board may meet with the proxy voting agent from time to time to discuss MainePERS' votes.