

Section 5.0 OTHER

5.1 PROXY VOTING POLICY*Adopted: February 22, 2011***TABLE OF CONTENTS**

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Section 5.0 OTHER***Introduction***

As good corporate governance practices are widely believed to increase shareholder value, public retirement systems across the country are becoming more active in encouraging good corporate governance practices among companies in which they own stock.

As such the core objectives of LACERS Proxy Policy are:

- 1) Manage proxy voting rights with the same care, skill, diligence and prudence as is exercised in managing other assets.
- 2) Exercise proxy voting rights in the sole interest of the System's members and beneficiaries in accordance with all applicable statutes consistent with the Board proxy policy.
- 3) Provide a framework for voting shares responsibly and in a well reasoned manner.
- 4) Align the interests of shareowners and corporate management to build long-term sustainable growth in shareholder value for the benefit of LACERS portfolio.

These primary objectives shall be considered whenever the Board and/or Corporate Governance Committee considers policy, reviews proxy voting issues, recommends corporate governance investment activities, or takes other corporate governance-related actions.

Statement of Purpose

The LACERS Board of Administration (Board) has formulated this policy to provide a guideline for proxy voting. This policy is set forth in the best interest of LACERS investment program to support sound corporate governance practices that maximize shareholder value.

All applications of this policy are executed by an outside proxy voting agent. The policy will be reviewed on a bi-annual basis. The proxy voting agent provides quarterly voting reports summarizing all votes cast during that time period. These reports are reviewed for compliance with the proxy policy.

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1. BOARD OF DIRECTORS

Electing directors is the single most important stock ownership right that shareholders can exercise. Shareholders can promote healthy corporate governance practices and influence long-term shareholder value by electing directors who share shareholder views. In evaluating proxy items related to a company's board, director accountability, independence and competence are of prime importance to ensure that directors are fit for the role and best able to serve shareholders' interests.

No.	Issue	LACERS Position	Rationale
1.1	ELECTION OF DIRECTORS IN UNCONTESTED ELECTIONS	LACERS supports company management in principle VOTING AGENT'S DISCRETION	It is prudent to vote for the prescribed full slate of directors as long as the slate of directors will conduct themselves in the best interest of the shareholders. Director nominees should be evaluated based on accountability, responsiveness to shareholders, independence from company management, competence and performance.
1.2	BOARD INDEPENDENCE	FOR	At a minimum, a majority of the board should consist of directors who are independent. Corporate boards should strive to obtain board composition made up of a substantial majority (at least two-thirds) of independent directors. ¹
1.3	MAJORITY THRESHOLD VOTING FOR THE ELECTION OF DIRECTORS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Under a plurality system, a board-backed nominee in an uncontested election needs to receive only a single affirmative vote to claim his or her seat in the boardroom. Even if holders of a substantial majority of the votes cast "withhold" support, the director nominee wins the seat. Under the majority vote standard, a director nominee must receive support from holders of a majority of the votes cast in order to be elected (or re-elected) to the board. In contested elections where there are more nominees than seats, a carve-out provision for plurality should exist.
1.4	SEPARATE CHAIR AND CEO	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	A CEO who also heads a board is less accountable than one who must answer to an independent chairman as well as fellow directors. However, there could be times when it makes sense for one person to wear two hats. On balance, there appears to be more gained and less lost from separating the two jobs at major companies. The Board generally favors the separation of the chairman and CEO. However, the Board believes it may be in the best interests of a corporation and the shareholders to have one person fulfilling both positions in smaller companies.

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No.	Issue	LACERS Position	Rationale
1.5	LIMITING BOARD SIZE	FOR	Proposals that allow management to increase or decrease the size of the board at its own discretion are often used by companies as a takeover defense. Shareholders should support management proposals to fix the size of the board at a specific number of directors, thereby preventing management (when facing a proxy contest) from increasing the size of the board without shareholder approval. ²
1.6	COMMITTEE INDEPENDENCE	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	The key board committees – audit, compensation, and nominating committees – should be composed exclusively of independent directors if they currently do not meet that standard. The company's board (not the CEO) should appoint the committee chairs and members. Committees should be able to select their own service providers to assist them in decision making.
1.7	DIRECTOR QUALIFICATIONS AND RESTRICTIONS Requires directors to own a minimum amount of stock; impose tenure limits; establishing a minimum or maximum age requirement	AGAINST	Establishing a minimum amount of stock ownership could preclude very qualified candidates from sitting on the board. Tenure limits and age restrictions could force out experienced and knowledgeable board members.
1.8	LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS	CASE-BY-CASE VOTING AGENT'S DISCRETION	This indemnifies corporate officers and directors against personal liability suits as a result of their official status. This indemnification is necessary to attract and keep the best-qualified individuals. However, officers' and directors' liability should not be limited or fully indemnified for acts that are serious violations of fiduciary obligations such as gross negligence or intentional misconduct.
1.9	OBLIGATION OF BOARDS TO ACT ON SHAREHOLDER PROPOSALS RECEIVING MAJORITY SUPPORT To ensure that the voices of the owners of the firm are heard.	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Boards are responsible for ensuring that the voices of the owners of the firm are heard. If the majority of shareholders have indicated they desire a particular governance change, the board should support the proposal in question.

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No.	Issue	LACERS Position	Rationale
1.10	DIRECTOR REMOVAL BY SHAREHOLDERS	FOR	Shareholders should have the right to remove directors or fill director vacancies. Lack of such a policy could allow management to protect themselves from various shareholder initiatives.
1.11	SHAREHOLDER ADVISORY COMMITTEES	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	It is often difficult for directors to communicate to and hear from shareholders, because shareholders tend to be numerous, unidentified, dispersed, and silent. This proposal establishes committees of shareholders to make communication easier and more effective. However, establishment of such committees can be time consuming and expensive. The Board prefers the establishment of such committees where there is no other available mechanism to communicate with the company boards.
1.12	PROXY CONTESTS	CASE-BY-CASE VOTING AGENT'S DISCRETION	A proxy contest is a strategy that involves using shareholders' proxy votes to replace the existing members of a company's board of directors. By removing existing board members, the person or company launching the proxy contest can establish a new board of directors that is better aligned with their objectives. Proxy contests should be examined on a case-by-case basis considering factors such as the company's performance relative to peers, strategy of incumbents vs. dissidents, experience of director candidates, current management's track record, etc.
1.13	REIMBURSEMENT OF PROXY SOLICITATION EXPENSES	CASE-BY-CASE VOTING AGENT'S DISCRETION	Most expenditures incurred by incumbents in a proxy contest are paid by the company. In contrast, dissidents are generally reimbursed only for proxy solicitation expenses, if they gain control of the company. Dissidents who have only gained partial representation may also be reimbursed in cases where the board and a majority of shareholders approve. In successful proxy contests, new management will often seek shareholder approval for the use of company funds to reimburse themselves for the costs of proxy solicitation.

Section 5.0 OTHER

2. AUDIT-RELATED

Shareholders must rely on company-produced financial statements to assess company performance and the values of their investments. External auditors play an important role by certifying the integrity of these financial reports provided to shareholders. To ensure that an external auditor is acting in shareholders' best interest, the auditor must be independent, objective, and free of potential conflicts of interest.

No.	Issue	LACERS Position	Rationale
2.1	RATIFYING AUDITORS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	The Board generally supports a company's choice of audit firms unless an auditor has a financial interest in or association with the company and is therefore not independent; there is reason to believe that the independent auditor has rendered an inaccurate opinion of the company's financial position; or fees are excessive as defined by ISS (Non-audit fee > audit fees + audit related fees + tax compliance/ preparation fees).
2.2	LIMITING NON-AUDIT SERVICES BY AUDITORS	FOR	Auditor independence may be impaired if an auditor provides both audit-related and non-audit related services to a company and generates significant revenue from these non-audit services. The Board believes that a company should have policies in place to limit non-audit services and prevent conflicts of interest.
2.3	ROTATION OF AUDITORS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	A long-standing relationship between a company and an audit firm may compromise auditor independence for various reasons including an auditor's closeness to client management, lack of attention to detail due to staleness and redundancy, and eagerness to please the client. ³ Enron and Anderson is a prime example of this situation. The Board believes it may be prudent to rotate auditors every 5 to 7 years.
2.4	ELECTION OF THE AUDIT COMMITTEE Section 404 of the Sarbanes-Oxley Act requires that companies document and assess the effectiveness of their internal controls. The Audit Committee should be comprised of the independent directors	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Companies with significant material weaknesses identified in the Section 404 disclosures potentially have ineffective internal financial reporting controls, which may lead to inaccurate financial statements, hampering shareholder's ability to make informed investment decisions, and may lead to the destruction in public confidence and shareholder value. The Audit Committee is ultimately responsible for the integrity and reliability of the company's financial information, and its system of internal controls, and should be held accountable.

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3. COMPENSATION			
<p>The Board endorses executive compensation plans that align management and shareholders' interest. Executive pay programs should be fair, competitive, reasonable, and appropriate. Pay-for-performance plans should be a central tenet of executive compensation and plans should be designed with the intent of increasing long-term shareholder value. Executives should not be incentivized to take excessive risks that could threaten long-term corporate viability and shareholder value.</p>			
No.	Issue	LACERS Position	Rationale
3.1	EXECUTIVE COMPENSATION APPROVED BY THE BOARD OF DIRECTORS	FOR	While some corporations allow compensation issues to be left to management, it is more prudent to have a compensation committee, composed of independent directors, approve, on an annual basis, executive compensation, including the right to receive any bonus, severance or other extraordinary payment. If a company does not have a compensation committee, then executive compensation should be approved by a majority vote of independent directors. The Board normally prefers to support the company's recommendation of executive compensation issues.
3.2	INDEPENDENT COMPENSATION CONSULTANT	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	A company's board and/or compensation committee should have the power to hire an independent consultant – separate from the compensation consultants working with corporate management – to assist with executive compensation issues to avoid conflicts of interest. Disclosure should be provided about the company's, board's, and/or compensation committee's use of compensation consultants, such as company name, business relationship(s) and fees paid.
3.3	PAY FOR PERFORMANCE	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	A significant portion of an executive's pay should be tied to performance over time through the use of short and long-term performance-based incentives to align management and shareholders' interests. From a shareholders' perspective, performance is gauged by the company's stock performance over time. The attainment of executives' incentive goals should ultimately translate into superior shareholder returns in the long-term. Standard stock options and time-vested restricted stock are not considered performance-based since general market volatility alone can increase their value.

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No.	Issue	LACERS Position	Rationale
3.4	ADVISORY VOTES ON COMPENSATION (SAY ON PAY) – SHAREHOLDER PROPOSALS	FOR	A non-binding “say on pay” vote would encourage the board’s compensation committee to be more careful about doling out unduly rich rewards that promote excessive risk-taking. It also would be a quick and effective way for a board to gauge whether shareowners think the company’s compensation practices are in their best interests. ⁴
3.5	ADVISORY VOTES ON COMPENSATION (SAY ON PAY) – MANAGEMENT PROPOSALS	CASE-BY-CASE VOTING AGENT’S DISCRETION	<p>The advent of “say on pay” votes for shareholders in the U.S. is providing a new communication mechanism and impetus for constructive engagement between shareholders and managers/directors on pay issues.</p> <p>In general, the management say on pay (MSOP) ballot item is the primary focus of voting on executive pay practices -- dissatisfaction with compensation practices can be expressed by voting against MSOP rather than withholding or voting against the compensation committee.⁵</p>
3.6	SAY ON PAY BALLOT FREQUENCY	FOR	The Board supports an annual MSOP for many of the same reasons it supports annual director elections rather than a classified board structure: because it provides the highest level of accountability and direct communication by enabling the MSOP vote to correspond to the information presented in the accompanying proxy statement for the annual shareholders' meeting. Having MSOP votes only every two or three years, potentially covering all actions occurring between the votes, would make it difficult to create meaningful and coherent communication that the votes are intended to provide.

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No.	Issue	LACERS Position	Rationale
3.7	STOCK OPTION PLANS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Stock options align the interests of management with the interests of shareholders. The Board prefers that options should be issued at or above fair market value. There should be no re-pricing of underwater options (stock options with little or no value due to poor performance), nor should there be a replenishment feature (automatic increases in the shares available for grant each year). Management must monitor the amount of dilution that stock options create. The total cost of the stock option plan should be reasonable relative to peer companies. The Board normally supports the use of stock options as a part of executive and management compensation.
3.8	HOLDING PERIOD FOR EQUITY COMPENSATION AWARDS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Executives should be required to hold a substantial portion of their equity awards, including shares received from option exercises, while they are employed at a company or even into retirement. Equity compensation awards are intended to align management interests with those of shareholders, and allowing executives to sell or hedge these shares while they are employees of the company undermines this purpose. ⁶
3.9	EXCLUDING PENSION FUND INCOME	FOR	Earnings generated by a pension plan should not be included for executive compensation purposes.
3.10	CLAWBACK OF INCENTIVE PAY	FOR	A company should recoup incentive payments made to executives and former executives if it is determined that the incentives were calculated from erroneous data, such as fraudulent or misstated financial results, and these incentive payments would not have been earned if correctly calculated.

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No.	Issue	LACERS Position	Rationale
3.11	<p data-bbox="285 302 613 512">GOLDEN PARACHUTES</p> <p data-bbox="285 363 589 512">Golden parachutes are compensation arrangements that pay corporate managers after they leave their positions.</p>	<p data-bbox="634 302 886 363">LACERS opposes this issue in principle</p> <p data-bbox="634 394 862 455">VOTING AGENT'S DISCRETION</p>	<p data-bbox="924 302 1438 758">Golden parachutes can have a number of positive results: they can reduce management resistance to change, they help attract and retain competent talent, and they provide appropriate severance. Excessive golden parachutes not offered to other employees can damage their morale and can have a dilutive effect on shareholder wealth. A general rule is that the parachute should not exceed three times base salary. The Board is opposed to the payment of excessive executive compensation. Therefore, golden parachute agreements should be submitted to shareholders for ratification.</p>
3.12	<p data-bbox="285 785 613 898">CHANGE OF CONTROL TRIGGERING UNJUSTIFIED ACCRUAL OF BENEFITS</p>	<p data-bbox="634 785 886 846">LACERS opposes this issue in principle</p> <p data-bbox="634 877 862 938">VOTING AGENT'S DISCRETION</p>	<p data-bbox="924 785 1438 993">A change of control event should not result in an acceleration of vesting of all unvested stock options or lapsing of vesting/performance requirements on restricted stock/performance shares, unless there is a loss of employment or substantial change in job duties for an executive.</p>
3.13	<p data-bbox="285 1022 526 1045">GOLDEN COFFINS</p>	<p data-bbox="634 1022 886 1083">LACERS opposes this issue in principle</p> <p data-bbox="634 1115 862 1176">VOTING AGENT'S DISCRETION</p>	<p data-bbox="924 1022 1438 1346">Golden coffins are death-benefit packages awarded to the heirs of high ranking executives who die during employment with a company. Benefits awarded can include, but are not limited to, unearned salary and bonuses, accelerated stock options and perquisites. The Board is against excessive executive compensation, but recognizes that offering golden coffin benefits may be necessary to attract top talent.</p>
3.14	<p data-bbox="285 1373 557 1486">SUPPLEMENTAL EXECUTIVE RETIREMENT PLANS (SERPS)</p>	<p data-bbox="634 1373 886 1434">LACERS opposes this issue in principle</p> <p data-bbox="634 1465 862 1526">VOTING AGENT'S DISCRETION</p>	<p data-bbox="924 1373 1438 1787">SERPs are executive-only retirement plans designed as a supplement to employee-wide plans. These plans may be structured to contain special provisions not offered in employee-wide plans such as above market interest rates and excess service credits. Incentive compensation may also be used in calculating retirement benefits, resulting in better benefit formulas than employee-wide plans and increased costs to the company. The Board supports SERPs if these plans do not contain excessive benefits beyond what is offered under employee-wide plans.</p>

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No.	Issue	LACERS Position	Rationale
3.15	PROPOSALS TO LIMIT EXECUTIVE COMPENSATION OR OTHER BENEFITS	AGAINST	Executive pay should not have a blanket limit such as being capped at a specified multiple of other workers' pay. There should not be an absolute limit to retirement benefits, nor a mandate that stipulates that there be salary reductions based on corporate performance.
3.16	DIRECTOR COMPENSATION	LACERS supports company management in principle VOTING AGENT'S DISCRETION	This is normally automatically approved unless the program is exceptional or abusive. Directors should be compensated with a mix of cash and stock, with the majority, but not all, of the compensation in stock to align their interests with shareholders. There should be no blanket limits on directors' compensation, but pay should be commensurate with expected duties and experience. The Board normally prefers to support company management's decision. The Board prefers that compensation issues be decided by a majority vote of the independent directors.
3.17	NON-EMPLOYEE DIRECTOR RETIREMENT BENEFITS	AGAINST	Since non-employee directors are elected representatives of shareholders and not company employees, they should not be offered retirement benefits, such as defined benefit plans or deferred stock awards, nor should they be entitled to special post-retirement perquisites. ⁷
3.18	DISCLOSURE OF EXECUTIVE COMPENSATION	FOR	The Board supports shareholder proposals seeking additional disclosure of executive compensation.
3.19	EMPLOYEE STOCK OWNERSHIP PROGRAMS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	On one hand, ESOPs have the potential for motivating and rewarding employees. On the other hand, there is concern about their use as management entrenchment devices and their potential dilutive effects on existing shareholder value. The Board believes that future purchasers must bear the same risk as current shareholders. Employee wealth obtained through stock ownership should be tied to shareholder value. The Board prefers no retroactive compensation. The Board supports the use of ESOPs.
3.20	401(K) EMPLOYEE BENEFIT PLANS	FOR	A 401(k) plan provides a highly visible benefit to employees that can be used to attract and retain quality personnel. The Board supports proposals to implement a 401(k) savings plan for employees.

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No.	Issue	LACERS Position	Rationale
3.21	OMNIBUS BUDGET RECONCILIATION ACT (OBRA) OF 1993 - RELATED COMPENSATION PROPOSALS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	IRS Section 162(m) of OBRA, prohibits a company from deducting more than \$1 million of an executive's compensation for tax purposes unless certain prescribed actions are taken to link compensation to performance such as establishment of performance goals by a compensation committee of outside directors and shareholder approval of the compensation plan. The Board generally supports proposals to approve new compensation plans or amend existing compensation plans to comply with Section 162(m) if the company can obtain tax benefits and increase shareholder value, and the plans do not result in excessive executive compensation.

Section 5.0 OTHER

4. SHAREHOLDER RIGHTS AND TAKEOVER DEFENSES

Companies should feature shareholder rights in their corporate governance principles to allow shareholders the opportunity to participate directly in monitoring management. A 2003 study by the National Bureau of Economic Research found that “firms with weaker shareholder rights earned significantly lower returns, were valued lower, had poor operating performance, and engaged in greater capital expenditure and takeover activity.”⁸

No.	Issue	LACERS Position	Rationale
4.1	ACCESS TO PROXY PROCESS	FOR	Access proposals allow shareholders who own a significant number of shares to access management’s proxy material to evaluate and propose voting recommendations on proxy proposals and director nominees, and to nominate their own candidates to the board. These proposals are based on the belief that shareholder access rights provide for increased corporate accountability and healthy communication.
4.2	ADVANCE NOTICE REQUIREMENTS	LACERS supports this issue in principle. VOTING AGENT’S DISCRETION	Advance notice bylaws, holding requirements, disclosure rules and any other company imposed regulations on the ability of shareholders to solicit proxies beyond those required by law should not be so onerous as to deny sufficient time or otherwise make it impractical for shareholders to submit nominations or proposals and distribute supporting proxy materials. ⁹
4.3	CLASSIFIED BOARDS AND STAGGERED BOARDS A structure for a board of directors in which a portion of the directors serve for different term lengths	LACERS opposes this issue in principle. VOTING AGENT’S DISCRETION	Although shareholders need some form of protection from hostile takeover attempts, and boards need tools and leverage in order to negotiate effectively with potential acquirers, a classified board tips the balance of power too much toward incumbent management at the price of potentially ignoring shareholder interests.
4.4	CONFIDENTIAL VOTING A shareholder’s voting position is kept confidential.	FOR	Shareholders over whom management have some power (for example, employee shareholders, money managers who stand to gain or lose company business, banks, insurance companies and companies with interlocking boards) may be deterred from voting against management if they know their votes will become known to management. Companies that can discover who is voting in which way prior to the meeting also have an advantage not enjoyed by any shareholder supporting or opposing any issue on the ballot, and in targeting those shareholders who vote against management and pressuring them to change their votes.

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No.	Issue	LACERS Position	Rationale
4.5	<p>CUMULATIVE VOTING</p> <p>Allows each shareholder to take the voting rights he or she has with respect to director candidates and accumulates them to vote for only one director, or for a smaller number of directors.</p>	FOR	Cumulative voting enhances shareholders' abilities to elect a single director or a small number of directors, thus increasing their ability to have a voice on the board even when they lack the voting power to affect change-in-control or other major decisions. Some fear that allowing cumulative voting can allow or encourage disruptive or predatory shareholders.
4.6	<p>SHAREHOLDER'S RIGHT TO ACT INDEPENDENTLY OF MANAGEMENT -- CALLING SPECIAL MEETINGS AND ACTING BY WRITTEN CONSENT</p>	FOR	These include giving shareholders the ability to call a special meeting of shareholders without management's consent, and the ability to act by written consent (saving the costs and difficulties of holding a meeting). Most corporations support the retention, restoration, or creation of these rights. Shareholders need realistic mechanisms to protect their interests in situations where their interests are not aligned with management interest.
4.7	<p>SUPERMAJORITY PROVISIONS</p> <p>Voting majority that is higher than those set by state law.</p>	AGAINST	Sets a level of approval for specified actions that is higher than the minimum set by state law. These requirements often exceed the level of shareholder participation at a meeting, making action that requires a supermajority all but impossible.
4.8	<p>LINKED (BUNDLED) PROPOSALS</p> <p>Combining more than one proposal.</p>	<p>LACERS opposes this issue in principle</p> <p>VOTING AGENT'S DISCRETION</p>	Linked proposals often include "sweeteners" to entice shareholders to vote for a proposal (that includes other items) that may not be in the shareholders' best interest. The Board normally opposes linked proposals where one or more of the linked proposals is in opposition to the Board's proxy position.
4.9	<p>VOTES TO ABSTAIN MEANS A CASTED VOTE</p>	FOR	Counting abstained votes in the total pool of all votes cast.
4.10	<p>BROKER VOTING RESTRICTIONS</p>	FOR	Broker non-votes and abstentions should be counted only for purposes of a quorum.
4.11	<p>FAIR PRICING</p>	FOR	Fair price provisions prevent two-tier tender offers in which a buyer offers a premium price for only enough shares to obtain a controlling interest. It is unfair to pay some shareholders (those that did not tender in the first group) less than other shareholders.

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No.	Issue	LACERS Position	Rationale
4.12	<p>GREEN MAIL</p> <p>Greenmail is the practice of shareholders accumulating a large block of stock in a company, then selling the stock back to the company at an above market price in exchange for agreeing not to attempt to take control for a lengthy period of time.</p>	AGAINST	A vote of the holders of a majority of the outstanding shares of common stock, regardless of class, shall be required to approve any corporate decision related to the finances of a company which will have a material effect upon the financial position of the company and the position of the company's shareholders.
4.13	<p>POISON PILLS</p> <p>A method used by boards, which prevent anyone from acquiring a large portion of the company stock for a corporate takeover.</p>	<p>LACERS opposes this issue in principle</p> <p>VOTING AGENT'S DISCRETION</p>	Poison pills can consist of a wide variety of provisions adopted by boards without shareholder approval, designed to make it financially unattractive – indeed, often financially devastating – for a shareholder to purchase more than a small percentage of the company's stock, often by triggering the creation of a large number of new stocks or warrants that dilute the offending shareholder's interest to the point of making it virtually valueless. The Board is normally opposed to the use of poison pills.
4.14	<p>NET OPERATING LOSS (NOL) POISON PILLS</p> <p>See 4.13 for poison pill definition.</p>	<p>CASE-BY-CASE</p> <p>VOTING AGENT'S DISCRETION</p>	NOLs may be used to reduce future income tax payments and have become valuable assets to many corporations. If a corporation experiences an ownership change as defined by Section 382 of the tax code, then its ability to use a pre-change NOL in a post-change period could be substantially limited or delayed. ¹⁰ NOL pills are adopted as a takeover deterrent to preserve the tax benefit of NOLs.
4.15	<p>POISON PILLS – ALLOW FOR SHAREHOLDER VOTE</p>	FOR	Since poison pills ultimately impact the wealth of shareholders, the Board supports voting measures that allow for the shareholders to vote on matters pertaining to the use of poison pills.
4.16	<p>RE-INCORPORATION</p>	<p>LACERS supports company management in principle</p> <p>VOTING AGENT'S DISCRETION</p>	Corporations may wish to reincorporate in another state to take advantage of favorable corporate law, while providing maximized shareholder values and operational flexibility. On the other hand, reincorporation laws of other states could be such as to limit shareholder rights or reduce shareholder wealth. The Board normally supports company management's decisions on re-incorporation matters.

Section 5.0 OTHER

No.	Issue	LACERS Position	Rationale
4.17	STATE ANTI-TAKEOVER LAWS	CASE-BY-CASE VOTING AGENT'S discretion	State anti-takeover laws seek to deter hostile takeover attempts of state-based corporations with the intent of keeping target companies locally based and preserving jobs. These laws may also complicate friendly mergers and impose great costs and delays on shareholders and stakeholders in the corporation. Most state anti-takeover provisions allow companies to "opt in" or "opt out" of coverage via shareholder vote.
4.18	TARGETED SHARE PLACEMENTS	LACERS supports company management in principle	Targeted share placements (or "White Squire" placements) occur when a company puts large blocks of stock or convertible securities into the hands of a friendly investor or group of investors. This is often an inexpensive method of raising cash for a company. The Board prefers that company management seeks authorization before establishing a targeted share placement but supports this corporate action.

Section 5.0 OTHER

5. CAPITAL STRUCTURE

Corporate financing decisions can have a significant impact on shareholder value, particularly when these decisions may result in common share dilution. As a result, shareholders must analyze all management proposals to modify capital structure to determine whether these financing decisions are in their best interests.

No.	Issue	LACERS Position	Rationale
5.1	INCREASES IN THE NUMBER OF AUTHORIZED SHARES OF STOCK	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Companies need the flexibility of issuing additional shares for stock splits, stock dividends, financings, acquisitions, employee benefit plans and general corporate purposes. The Board prefers that increases should not exceed three times the number of existing outstanding shares and that the company specify a purpose for the proposed increase.
5.2	ONE SHARE, ONE VOTE Each share of common stock, regardless of its class, shall be entitled to vote in proportion to its relative share of the total common stock equity of the corporation.	FOR	The right to vote is inviolate and may not be abridged by any circumstances or by any action of any person. Each share of common stock, regardless of its class, shall be treated equally in proportion to its relative share in the total common stock equity of the corporation, with respect to any dividend, distribution, redemption, tender or exchange offer. In matters reserved for shareholder action, procedural fairness and full disclosure are required.
5.3	PAR VALUE ADJUSTMENT OF COMMON STOCK	FOR	In extraordinary cases when a stock price falls below its par value, a company wishing to issue additional stock would be unable to do so without reducing par value. Companies may also propose reductions in par value to conform to state legislative changes in the required minimum level of par value. ¹¹
5.4	PREEMPTIVE RIGHTS Provides current stockholders an option to maintain their relative ownership position.	AGAINST	Preemptive rights require a company issuing new shares to offer them to their existing shareholders first, in proportion to their existing holdings. This gives current shareholders the ability to maintain their relative equity position as a shareholder. Preemptive rights generally have limited importance, given the increase in the size and liquidity of the secondary market and their potential for abuse.

Section 5.0 OTHER

No.	Issue	LACERS Position	Rationale
5.5	DEBT RESTRUCTURING	CASE-BY-CASE VOTING AGENT'S DISCRETION	As part of a debt restructuring plan, a company may propose to increase and issue common and/or preferred shares. These proposals should be evaluated considering dilution to existing shareholders, potential changes in company control, the company's current financial position, terms of the offer, whether bankruptcy is imminent and alternatives.
5.6	CONVERSION OF SECURITIES	CASE-BY-CASE VOTING AGENT'S DISCRETION	Proposals to convert securities, such as converting preferred stock to common shares, should be evaluated based on the dilution to existing shareholders, the conversion price relative to market value, financial issues, control issues, termination penalties, and conflicts of interest.
5.7	SHARE REPURCHASES Corporations buy back a portion of the outstanding shares.	FOR	The Board normally favors of share repurchase plans if the company boards feel that the stock is undervalued or there is a legitimate corporate purpose.
5.8	REVERSE STOCK SPLITS	FOR	A reverse stock split reduces the number of shares owned and increases the share price proportionately. A reverse stock split has no effect on the value of what shareholders own. Companies often reverse split their stock when they believe the price of their stock is too low to attract investors to buy their stock or to avoid being delisted. ¹² If the number of authorized shares is not proportionately reduced with a reverse stock split, then LACERS treats these proposals as a request to increase authorized shares.
5.9	BLANK CHECK PREFERRED STOCK Blank check preferred stock is authorized stock over which the board has complete discretion to set voting rights, dividend rates, and redemption and conversion privileges.	AGAINST	There is the potential for abusing this kind of stock by the board. Although some guidelines note that blank check preferred stock gives management great flexibility, and this might be valuable and in the corporate interest, in general it is felt that this kind of flexibility, free of shareholder control, is insufficient justification for the creation of this type of stock.

Section 5.0 OTHER

6. CORPORATE RESTRUCTURINGS			
Corporate restructurings, such as mergers and leveraged buyouts, can have a major effect on shareholder value. Many of these transactions require shareholder approval and must be examined carefully to determine whether they are in the best financial interests of the shareholders.			
No.	Issue	LACERS Position	Rationale
6.1	ASSET SALES	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Asset sales should be evaluated based on the impact on the balance sheet/working capital, value received for the asset, and potential elimination of inefficiencies. The Board generally supports management decisions to sell assets.
6.2	GOING PRIVATE TRANSACTIONS (LEVERAGED BUYOUTS AND MINORITY SQUEEZEOUTS)	CASE-BY-CASE VOTING AGENT'S DISCRETION	Going private transactions such as leveraged buyouts and minority squeezeouts should be evaluated on a case-by-case basis taking into account the following: offer price and imbedded premium, fairness opinion, how the deal was negotiated, conflicts of interest, other alternatives/offers considered, and the risk to shareholders if the attempt to take the company private fails.
6.3	LIQUIDATIONS	CASE-BY-CASE VOTING AGENT'S DISCRETION	Liquidation proposals are generally bad news for long-term investors. They usually occur after a prolonged period of declines in earnings and share prices. However, liquidation may be an attractive option if the sale of the firm's assets on a piece-meal basis can be accomplished at a higher-than-market price. Liquidation proposals should be evaluated based on management's efforts to pursue other alternatives, appraised value of assets, the compensation plan for executives managing the liquidation, and the likelihood of bankruptcy if the liquidation proposal is not approved. ¹³
6.4	MERGERS AND ACQUISITIONS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Case-by-case votes are recommended on mergers or acquisitions since the circumstances by which they arise are unique. The Board supports the company management's decision on mergers and acquisitions when such decision is based upon the findings of a thorough due diligence process and is in the best interest of the shareholders.

Section 5.0 OTHER

No.	Issue	LACERS Position	Rationale
6.5	SPIN-OFFS	CASE-BY-CASE VOTING AGENT'S DISCRETION	Corporations may seek to streamline their operations by spinning off less productive or unrelated subsidiary businesses. The spun-off companies are expected to be worth more as independent entities than as parts of a larger business. Spin-offs are evaluated case-by-case depending on the tax and regulatory advantages, planned use of sale proceeds, managerial incentives, valuation of spinoff, fairness opinion, benefits to the parent company, conflicts of interest, corporate governance changes, and changes in the capital structure.

Section 5.0 OTHER

7. MISCELLANEOUS CORPORATE GOVERNANCE			
No.	Issue	LACERS Position	Rationale
7.1	ANNUAL MEETING DATE AND LOCATION	LACERS supports company management in principle VOTING AGENT'S DISCRETION	Mandatory rotation of the annual meeting would not significantly increase stockholders' access to management since there are convenient alternatives available to interested stockholders. It would decrease the company's flexibility without a material benefit to stockholders. The Board normally supports company management's decision on this issue.
7.2	CORPORATE NAME CHANGE	FOR	A company may seek a name change to better portray its strategic image or re-brand itself. The Board supports company management's decision on this issue.
7.3	CORPORATION CHARTER AND BYLAW AMENDMENTS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Charters and bylaws should not be amended without shareholder approval unless the changes are of a housekeeping nature such as minor corrections or updates.

Section 5.0 OTHER

8. SOCIAL AND ENVIRONMENTAL

On November 13, 2007, the Board adopted the United Nations Principles for Responsible Investment ("Principles"), a policy of global best practices for environmental, social, and governance ("ESG") investing. LACERS current proxy voting agent, Institutional Shareholder Services, ("ISS"), is a signatory to the Principles and incorporates them into its proxy analysis process. Therefore, when considering how to vote on most ESG proposals, investment staff relies on the research expertise and voting recommendations of ISS.

No.	Issue	LACERS Position	Rationale
8.1	DIVERSIFICATION OF BOARDS	LACERS supports this issue in principle VOTING AGENT'S DISCRETION	Women and minorities have played major and responsible roles not only in government, higher education, law and medicine, but also in communications, electronics, and finance. The Board normally prefers to support diversification on company boards. However, the Board recognizes that such a mandate carried out without regard to the selection of the most highly qualified candidates might not be in the best interest of these companies.
8.2	CORPORATE BOARD MEMBERS SHOULD WEIGH SOCIO-ECONOMIC, LEGAL AND FINANCIAL FACTORS WHEN EVALUATING TAKEOVER BIDS	CASE-BY-CASE BASIS. VOTING AGENT'S DISCRETION	While broad social and environmental issues are of concern to everyone, institutional shareholders acting as representatives of their beneficiaries must consider, specifically, the impact of the proposal on the target company. A decision on whether to support or oppose such proposals shall focus on the financial aspects of social and environmental proposals. If a proposal would have a negative impact on the company's financial position or adversely affect important operations, LACERS would oppose the resolution. Conversely, if a proposal would have a clear and beneficial impact on the company's finances or operations, LACERS would support the proposal.
8.3	INDEPENDENT REVIEW OF COMPANY OR PLANT OPERATIONS	AGAINST	An independent review of company or plant operations which will be provided at company expense to the shareholders to consider the cost of and alternatives to the present or proposed projects on the primary operation. This process would be costly and time-consuming.

Section 5.0 OTHER

8.4	DISCLOSURE OF OFFICERS, DIRECTORS AND INVOLVED OUTSIDERS' GOVERNMENTAL AFFILIATIONS	AGAINST	Miscellaneous issues include disclosures of lists of officers, directors and involved outsiders who have served in any governmental capacity during the previous five years. In addition, disclosure includes the lists of law firms employed by the companies, rundowns on fees and the revelation as to whether any elected or appointed official have partnership interest in the retained law firms. To the extent that potential conflicts of interest cannot be controlled by corporate procedures, professional ethics, and law, these disclosures will make no difference.
8.5	CORPORATE AFFIRMATION OF ITS NON-COERCIVE POLITICAL PRACTICES	AGAINST	This affirmation is intended to ensure that the corporation avoids a number of coercive political practices such as distribution of contribution cards in favor of one political party. Since these practices are illegal, the issue is moot.
8.6	LIMITING CORPORATE PHILANTHROPY	AGAINST	These proposals place restrictions and additional reporting obligations upon management's right to make corporate contributions to charitable, educational, community or related organizations. Most companies give money to charity. Because most companies must compete, those that do not contribute to charity risk damaging their good names.
8.7	STAKEHOLDERS' INTEREST BEFORE OR EQUAL WITH SHAREHOLDERS' INTEREST	ABSTAIN	Stakeholders include customers, suppliers, employees, communities, creditors and shareholders. Stakeholders are important to the success of the corporation and therefore the interests of each must be considered by directors and management. However, boards should not put the non-shareholder/stakeholder interests ahead of or on an equal footing with shareholders in terms of the corporation's ultimate purpose.
8.8	ALL OTHER ESG ISSUES	VOTING AGENT'S DISCRETION	Investment staff relies on the research expertise and voting recommendations of ISS for other ESG issues not addressed by this policy.

Section 5.0 OTHER

9. ISSUES NOT ADDRESSED BY POLICY

For proxy issues not addressed by this policy that are market specific, operational or administrative in nature, and likely non-substantive in terms of impact, LACERS gives ISS discretion to vote these items.

Substantive issues not covered by this policy and which may potentially have a significant economic impact for LACERS shall be handled accordingly:

- 1) ISS shall alert investment staff of substantive proxy issue not covered by policy as soon as practicable;
- 2) Investment staff and/or the General Manager make shall determine whether the item requires Corporate Governance Committee ("Committee") and/or Board of Administration ("Board") consideration;
- 3) If the issue does not require Committee and Board consideration, then staff will vote the issue based on available research;
- 4) If the issue requires Committee and Board consideration, then the item will be prepared and presented to the Committee and Board for consideration. Following Committee and Board action, staff will then have the issue voted accordingly.
- 5) If time constraints prevent a formal gathering of the Committee and Board, then LACERS Board approved Corporate Governance Actions Protocol, as reprinted below, shall apply and staff will then have the issue voted accordingly.

CORPORATE GOVERNANCE ACTIONS POLICY
Board Adopted December 2008

From time to time LACERS receives requests from other pension funds or from affiliated organizations for support of various corporate governance actions. Many of the actions requested, such as requests to sign action letters, would otherwise appear to be consistent with existing Board policy. However, occasionally there is not adequate time to convene a Committee or Board meeting in advance to consider the matter.

The proposed Corporate Governance Actions Policy requires that one staff member plus one Board member both agree that the subject to be voted/acted on falls within the letter or spirit of adopted Board policy. If both agree, the measure will be executed by the General Manager or her designee.

The designated staff person will be the Chief Investment Officer (CIO). The designated Board member will be the Chair of the Corporate Governance Committee. In the absence of the CIO, the General Manager will become the designated staff member. In the absence of the Chair of the Corporate Governance Committee, the Board Chair will become the designated Board member.

Section 5.0 OTHER**APPENDIX A. REFERENCES**

- ¹ CalPERS. Global Principles of Accountable Corporate Governance. February 16, 2010. 8.
- ² LACERA. Domestic Proxy Voting Guidelines. April 22, 2009. 21.
- ³ Arel, Barbara, Brody, Richard G. & Pany, Kurt. "Audit Firm Rotation and Audit Quality." *The CPA Journal* (January 2005). November 12, 2010. < <http://www.nysscpa.org/cpajournal/2005/105/essentials/p36.htm> >.
- ⁴ "Executive Compensation." Council of Institutional Investors. 2008. November 12, 2010.
- ⁵ Institutional Shareholder Services. 2010 U.S. Proxy Voting Guidelines Summary. February 25, 2010. 38.
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- ¹⁰ Nathan, Charles. "Recent Poison Pill Development and Trends." May 12, 2009. The Harvard Law School Forum on Corporate Governance and Financial Regulation. < <http://blogs.law.harvard.edu/corpgov/2009/05/12/recent-poison-pill-developments-and-trends/> >.
- ¹¹ Institutional Shareholder Services. U.S. Proxy Voting Manual. 2006. November 12, 2010.
- ¹² "Reverse Stock Splits." Securities and Exchange Commission. 2000. November 12, 2010. <<http://www.sec.gov/answers/reversesplit.htm>>.
- ¹³ Institutional Shareholder Services. U.S. Proxy Voting Manual. 2006. November 12, 2010.