

Public Retirement Systems and Capital Market Developments

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Public Retirement Systems and Capital Market Developments

- State of the U.S. Retirement System
- Investment Management Industry:
The Rise of Wealth Management
- Capital Markets and Institutional
Asset Allocation
- Public Retirement Systems and
Capital Stewardship

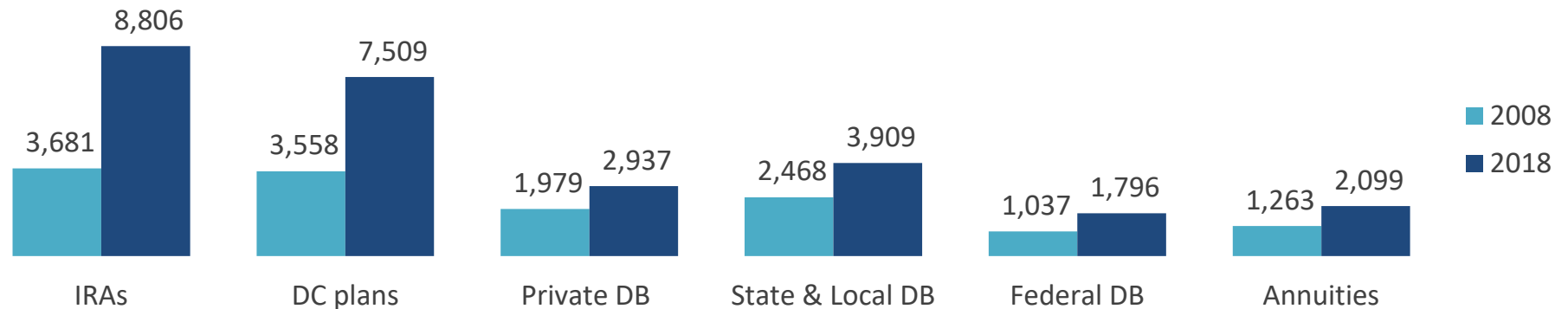


U.S. Retirement System Assets and Household Wealth



U.S. Retirement Assets

U.S. Retirement Assets (\$ Billions): 2008 vs. 2018



- U.S. retirement system assets totaled approximately \$27.1 trillion as of December 2018
- Between December 2008 and December 2018 State and local defined benefit fund plan assets increased by approximately \$1.4 trillion or 58% to approximately \$3.9 trillion
- As of December 2018, defined contribution plan assets totaled approximately \$7.5 trillion of which \$5.2 trillion was held in 401(k) plans. Approximately 64% of 401(k) plan assets were held in mutual funds.

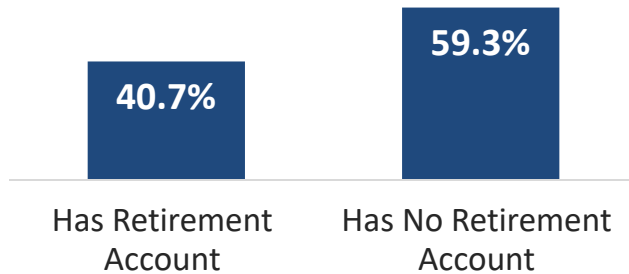
“Defined-benefit plans are critical to the retirement security of millions of Americans, and have served our nation well for decades. —Hank Kim, Esq. Executive Director, NCPERS



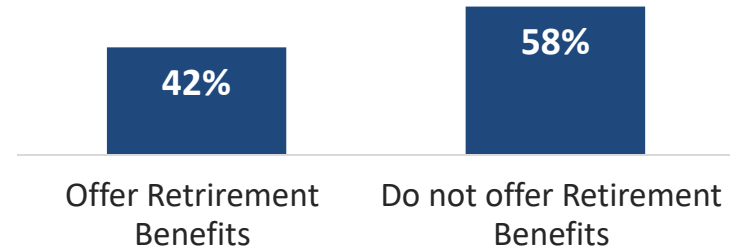
*Source: Investment Company Institute. March 2019

U.S. Retirement Plan Access

Retirement Account Ownership Working Age Individuals



Small Businesses offering Retirement Benefits



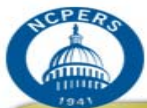
Secure Choice Public-Sponsored Retirement Savings Plan

- According to studies, workers are 15 times more likely to save for retirement if they have access to an employer-sponsored plan
- NCPERS launched the Secure Choice Pension Plan Model in to help address the retirement crisis in 2011
- Since 2012, 40 states have reportedly considered proposals to adopt state-administered savings programs for private sector workers or have considered or enacted legislation to enable them.*

Percent of Americans
who Agree that the
U.S. is facing a
Retirement Crisis:

88.3%

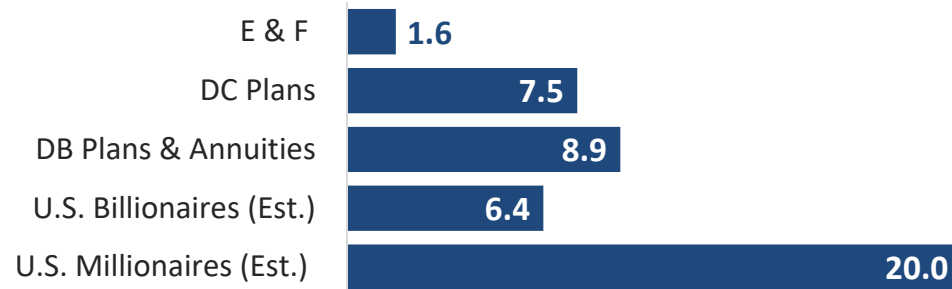
* Source: National Institute of Retirement Security, September 2018 ;



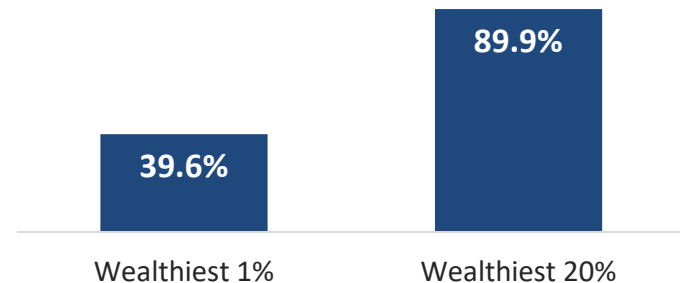
* Sources: National Institute of Retirement Security, September 2018 ; Insurance Newsnet, 1/18/2019; National Conference of State Legislatures; 9/26/2018

Investment Management Industry: The Rise of Wealth Management

Institutional and Individual Investors Assets: 2017¹
(\$ Trillions)



**U.S. Households
Ownership of Wealth: 2016²**



- Income inequality and the increase in the concentration wealth in the U.S. are contributing to the growth of the wealth management industry, which has implications for institutional investors as well as for policy makers.
- Global net investable assets of high net worth individuals are projected to grow to almost \$70 trillion by 2021³
- The U.S. and China are expected to account for over 45% of high net worth asset growth between 2016 – 2021.

¹ Phoenix Marketing International; Investment Company Institute; Billionaire data is estimated as of 2014; E&F: Endowments & Foundations (Foundations extrapolated from 2015 data). DC, DB and Annuity Data are as of December 2018.

² Edward N. Wolff, National Bureau of Economic Research

³ EY Wealth Management Outlook, 2018

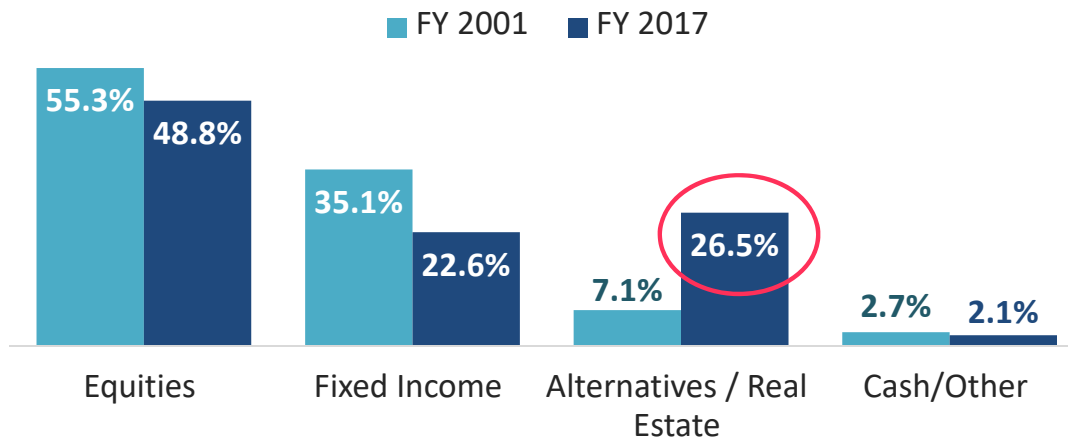


Capital Markets and Institutional Asset Allocation

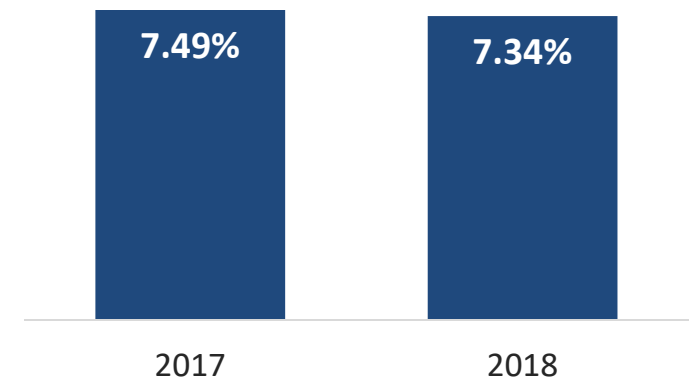


Asset Allocation and Investment Return Assumptions

**Public Pension Funds
Average Asset Allocation¹**



**Public Pension Funds
Average Investment Return Assumptions²**



- From FY2001 to FY2017, public funds reduced public equity and fixed income allocations by 6.5% and 12.5% respectively, while increasing alternative investment and real estate allocations by 19.4%, collectively
- As reported in the NCPERS Public Retirement Systems 2018 Study, public pension funds' average investment return assumptions declined modestly from 2017 to 2018.



¹ FY 2017 Data. NASRA
² NCPERS

Market Environment and Capital Market Assumptions

- U.S. economy projected to grow at a moderated rate
- Developed markets growth constrained by demographics, among other factors
- China and India expected to continue to contribute over 60% to global growth through 2025*
- U.S. inflation trending in line with 2% Fed target providing potential for accommodative monetary policy
- Public equity valuations elevated in some markets; private asset pricing consistent with later stage of cycle
- Projected yield curve flattening in line with Fed futures
- Geopolitical risks: Trade, Brexit, China, Immigration policy.

Sample 10-Year Capital Market Assumptions

Asset Class	Compound Return	Standard Deviation
Cash	2.7%	2.5%
Core Fixed Income	3.4%	5.5%
Emerging Markets Debt	5.7%	11.0%
Global Fixed Income	3.0%	7.6%
U.S. Equities (Russell 3000)	6.6%	17.5%
Developed Non-U.S. Equity	6.9%	19.0%
Emerging Markets Equity	8.9%	24.0%
Real Estate (Core)	5.7%	11.8%
Infrastructure	7.0%	13.5%
Private Equity	9.8%	22.5%
Hedge Funds of Funds	5.2%	5.8%

Notes: Illustrative sample. Does not include 20-year sample capital market assumptions



* OECD, 2018

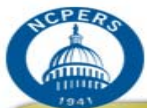
The Role of Alternative Investments

Asset Allocation Modeling: Sample Portfolios



	60/40 Portfolio	Add Real Estate	Add Infra.	Add Hedge Funds*	Add Private Credit	Add Private Equity
20 Year Expected Return (Arithmetic)*	6.8%	6.9%	7.0%	7.0%	7.1%	7.7%
20 Year Expected Return (Geometric)*	6.2%	6.4%	6.5%	6.6%	6.7%	7.1%
Standard Deviation	11.3%	10.2%	10.3%	10.2%	10.0%	10.9%
Sharpe Ratio	0.32	0.36	0.37	0.38	0.40	.41

- Alternative investments may increase expected return, while reducing volatility and improving efficiency
- An effective alternative investments program requires an enhanced risk management framework.



* **Notes:** 1. Model portfolios are included for illustrative purposes. Hedge Funds example is Opportunistic Hedge Fund of Funds; Expected return excludes net-of-fee alpha that may be generated by active management; 2. Abbreviations: RE: Real Estate; Infr: Infrastructure; HF: Hedge Funds.

Alternative Investments: Trending Themes



Real Estate

- Core Valuations
- Core plus; Value Add
- Opportunistic
- Retail distressed
- Logistics



Infrastructure

- Potential Legislation
- Responsible Contractor
- Renewables
- Mid Cap Sector
- Public Private Partnerships



Private Equity / Debt

- Continued strong demand
- Mega Funds (PE)
- Fundraising Down
- J-Curve Mitigation
- Dry Powder; Pricing



Hedge Funds

- Multi-Strategy Performance
- Opportunistic Credit
- Single Strategy
- Fee Structures
- Transparency

Alternative Investments and ESG Implementation



Environmental

- Wastewater treatment plants
- Public Transit; Renewable Energy
- Energy Efficient Properties



Social

- Job creation
- Responsible contractor policies (RCP)
- Affordable Housing



Governance

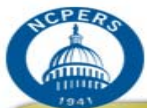
- Equity ownership rights
- Advisory Board
- General Partnership

Institutional Asset Allocation: A Changing Landscape

Significant Decrease	Institutional Investors Expected 3-Year Allocation Shifts	Significant Increase
-21%	U.S. Equities – Active	+3%
-20%	U.S. Equities – Passive	+4%
-4%	Real Estate	+7%
-11%	Hedge Funds	+6%
-4%	Private Equity	+22%

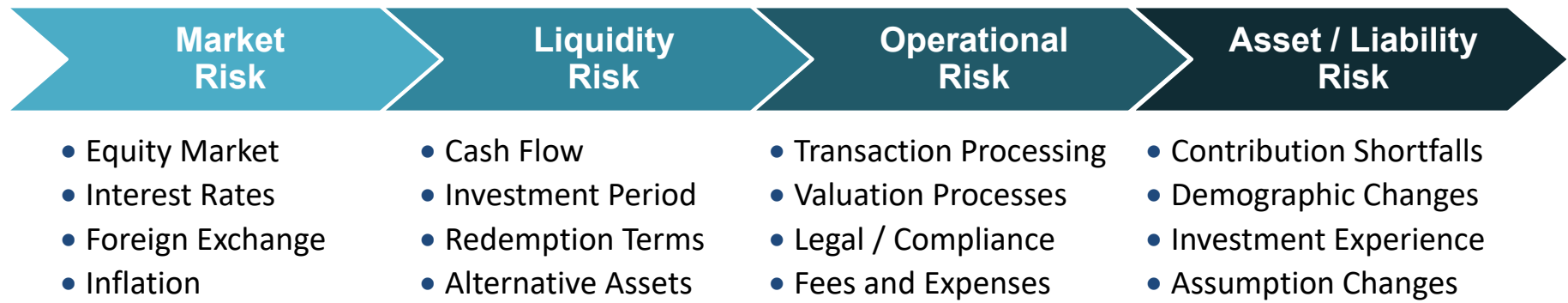
* Source: Greenwich Associates.

- Recent reports project continued increases to alternatives allocations including private markets
- The number of U.S. private equity-backed companies reportedly increased from approximately 4,000 in 2006 to 8,000 in 2017*
- Private markets challenges include demand in excess of supply for some private equity opportunities
- Opportunities include demand for infrastructure capital, less efficient real estate market sectors and managers who possess skill sets to generate risk-adjusted returns through late cycle environment.



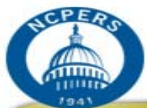
Source: McKinsey, February 2019

Pension Fund Risk Exposures



Risk Measures

Market Risk	Liquidity Risk	Operational Risk	Asset/Liability Risk
<ul style="list-style-type: none"> • Standard Deviation • Value at Risk (VaR) • Leverage • Sharpe Ratio 	<ul style="list-style-type: none"> • Negative Cash Flow • Unfunded Commitments • Illiquid Asset Exposures • Redemption Queues 	<ul style="list-style-type: none"> • Audit Exceptions • Reconciliations • Failed Transactions • Compliance Failures 	<ul style="list-style-type: none"> • Unfunded Liability • Funded Percentage • Projected Unfunded Liability • Change to Net Assets



Note: Samples. Not all inclusive

Model Risk Management Framework

Governance

- Committee Structures
- Policy Targets
- Investment Guidelines
- Portfolio Rebalancing

Assessments

- Asset-Liability Modeling
- Liquidity Tier Analysis
- Portfolio Stress Testing
- Manager Due Diligence

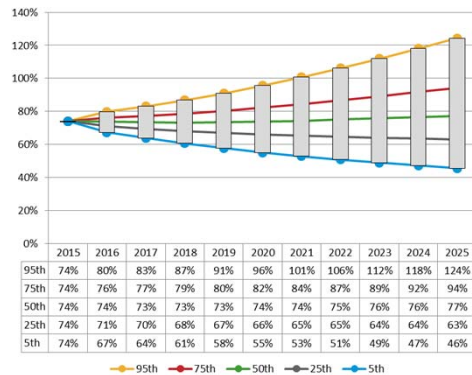
Measures

- Funded Ratio
- Standard Deviation
- Sharpe Ratio
- Value at Risk (VaR)

Reporting

- Actuarial Report
- Custodial Reports
- Annual Financial Audit
- Investment Performance

Stochastic Modeling



Liquidity Tier Analysis

Allocation of Assets by Tier

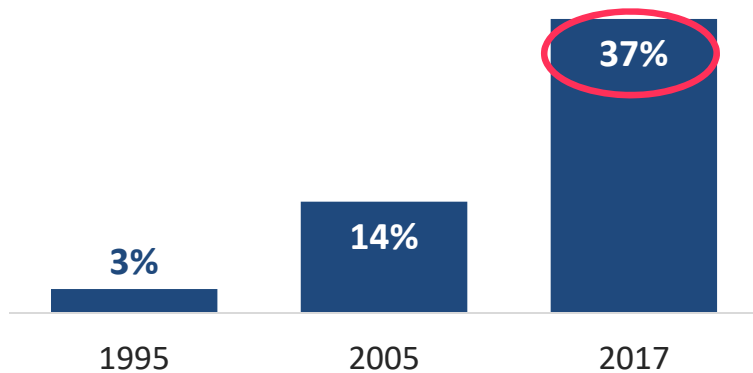
	Tier 1*	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6*
<i>Terms</i>	<i>Daily</i>	<i>Monthly</i>	<i>Qtrly to 1 year</i>	<i>1 to 3 years</i>	<i>3 to 7 years</i>	<i>7+ years</i>
<i>Current Liquidity</i>	\$318.8	\$30.0	\$70.0	\$10.0	\$10.0	\$61.2
<i>Allocated %</i>	63.8%	6.0%	14.0%	2.0%	2.0%	12.2%
<i>Aggregate Available %</i>	63.8%	69.8%	83.8%	85.8%	87.8%	100.0%



Source: NCPERS Best Governance Practices for Public Retirement Systems.

Impacts of Investor Flows to Passive Management

Passive Management Share of Mutual Fund and ETF Market



Active/Passive Asset Flows: Potential Impact on Financial Stability Risks

Risk Type	Impact to Financial System Risk
Liquidity & Redemptions	Reduces
Investing Strategies that Amplify Volatility	Increases
Financial Industry Concentration	Increases
Changes in Valuations, Volatility and Co-movements	Unclear

- Investors continue to increase allocations to passive management to minimize expenses, while eliminating tracking error
- Indexing helps investors in implementing cost-effective investment programs. However, large scale asset flows to passive management have raised concerns about unintended impacts to the financial system and corporate governance
- A Moody's study predicted that passively managed assets will exceed actively managed assets by 2024.



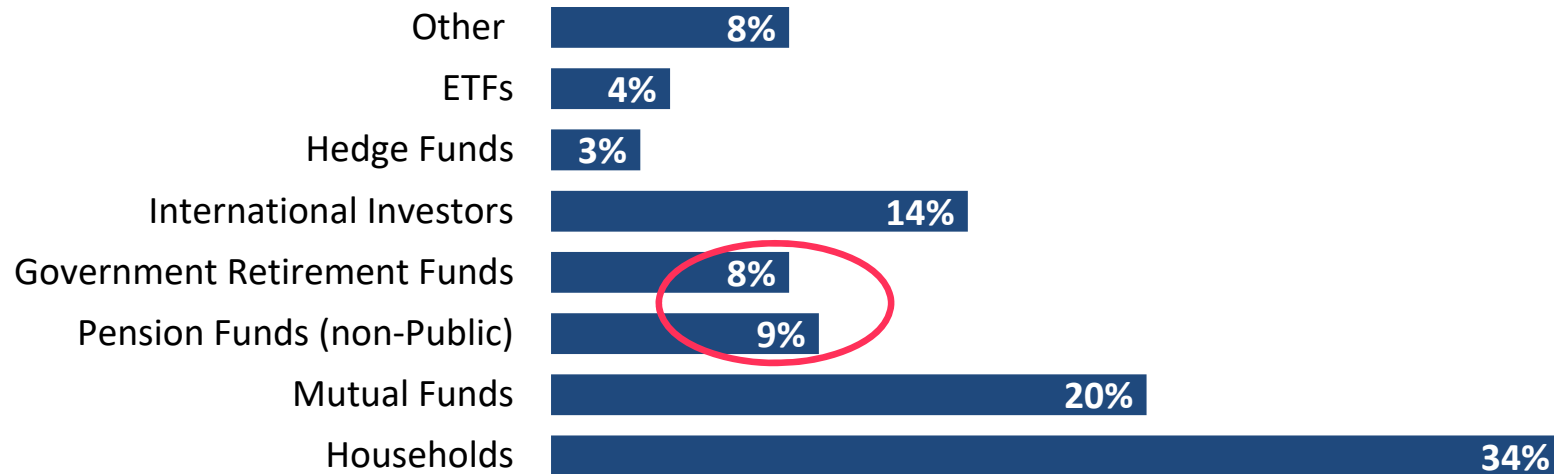
Source: Federal Reserve Bank of Boston; August 27, 2018. Moodys.

Public Pension Funds and Capital Stewardship



Institutional Ownership

Pension Funds Ownership of U.S. Equities



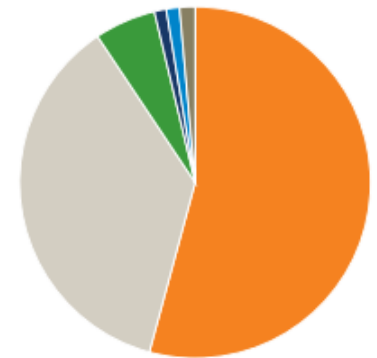
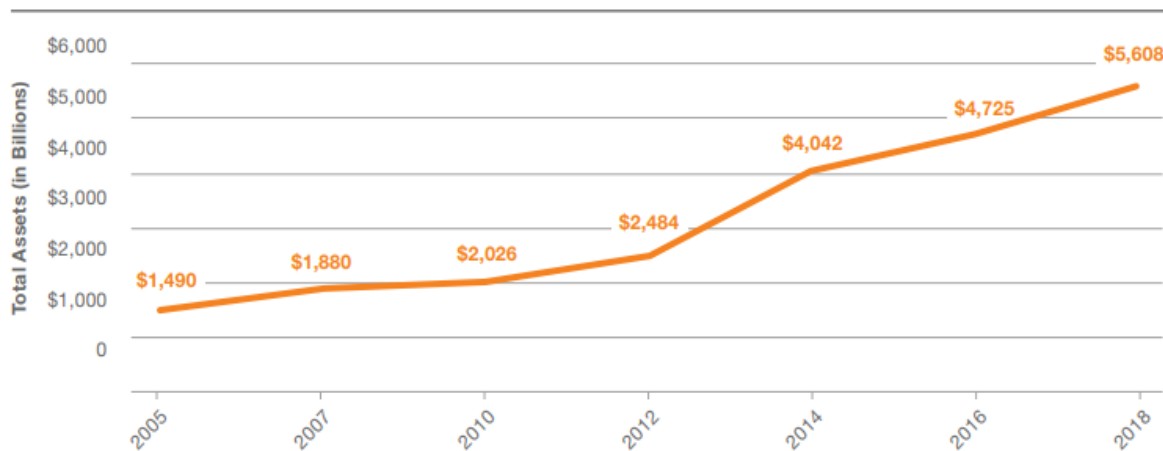
- Public and private pension funds collectively own an estimated 17% of the U.S. equity market
- Pension funds' estimated equity ownership does not include equities held indirectly by public and private defined contribution plans in mutual funds and other commingled vehicles
- Public funds take a proactive capital stewardship approach through corporate governance and other mechanisms designed to maximize the value of shares for the benefit of members and beneficiaries.



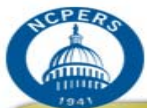
Source: Federal Reserve Board, Lionshares and Goldman Sachs Global ECS Research.

Rising Interest in ESG/SRI

Growth of ESG Incorporation Reported by Institutional Investors 2005–2018



- Sustainable Investing Growth in the United States saw an increase of 38% from 2016-2018.
- Net total of SRI assets under management in 2018 was \$12 trillion (of \$46.6 trillion U.S. professionally managed assets).
- Since 1995, US SRI assets have a compound annual growth rate of 13.6%
- Top reported issues for institutional investors were: conflict risk; tobacco; climate change; board issues and executive pay.



Source: US SIF Foundation, Trends Report 2018, available at: [https://www.ussif.org/files/2018%20Infographic%20overview%20\(1\).pdf](https://www.ussif.org/files/2018%20Infographic%20overview%20(1).pdf), and <https://www.ussif.org/files/2018%20Infographic%20institutional%20investors.pdf>.

Environmental, Social and Governance (ESG) Challenges



- No universal application of ESG standards
- Metrics and measurements are inconsistent
- ESG issues are complex and constantly evolving



- ESG disclosure inconsistent; often voluntarily
- Materiality varies by geography and investor interests
- Value driven market segment may be conflated with profit driven segment

ESG Performance: Morningstar Report

- 41 of 56 unique Morningstar ESG indexes **outperformed** their non-ESG screened equivalent, a 73% success rate.
- Morningstar's ESG indexes tend to select companies that are **less volatile** and possess **stronger competitive advantages** and **healthier balance sheets** than their non-ESG equivalents.
- 48 of 56 ESG indexes exhibited superior exposure to financial health (86%), meaning they are less likely to experience financial distress.



Source: Morningstar ESG Indexes Study, Feb. 2019, available at: https://www.morningstar.com/content/dam/marketing/shared/pdfs/indexes/ESG_Indexes_021219_DL.FINAL.pdf?cid=EMQ_&utm_source=eloqua&utm_medium=email&utm_campaign=&utm_content=16361

Shareholder Engagement: Executive Compensation

	Ratio	CEO Pay	Employee Pay	Number of Employees
Macy's	806:1	\$11M	\$13K	181,135
Nordstrom	187:1	\$5.6M	\$30K	72,500
Hasbro	160:1	\$11.8M	\$74K	6,250
Mattel	4,981:1	\$31.2M	\$6,271	35,280

- First year of required disclosure of the pay ratio between CEO and the median worker.
- Ratio will inform proxy votes on executive compensation and allow for research to determine correlations between media worker pay and company performance.



Source: Equilar, based on 2,000 data points. May 22, 2018. Available at: <http://www.equilar.com/blogs/385-ceo-pay-ratio-first-look-at-trends-2018.html>

Shareholder Engagement—Board Diversity Work 2018

Shareholder Proponent	Diverse Search Policy Adopted	Female Director(s) Added
The City of Philadelphia Public Employees Retirement System	Cognex Corporation	Cognex Corporation
		Cypress Semiconductor Corporation
		First Hawaiian
		Getty Realty
		HollyFrontier Corporation
	Hub Group	Hub Group
	Oceaneering International	Oceaneering International
The Office of the Illinois State Treasurer Michael Frerichs	FCB Financial Holdings	
		CACI International
SEIU MasterTrust	Amazon.com	
	CME Group	
	Facebook	
	Thor Industries	Thor Industries
Midwest Diversity Initiative	Century Aluminum	
	Ferro	Ferro
	First Industrial Realty Trust	First Industrial Realty Trust
	Gogo Inflight	
	Marathon Petroleum	
	Taubman Centers	Taubman Centers
	United Continental	

Source: Segal Marco Advisors, 2019



Shareholder Engagement: Opioid Supply Chain

IOA INVESTORS FOR OPIOID
ACCOUNTABILITY

54 Members with \$3.5 Trillion in assets under management and advisement

- Aberdeen Standard
- Adrian Dominican Sisters
- Aegon Asset Management
- Aequo Shareholder Engagement Services
- American Federation of Teachers Pension Plan
- Aquinas Association
- Bailard, Inc.
- Benedictine Coalition for Responsible Investment
- Bon Secours Mercy Health
- Boston Common Asset Management
- Bricklayers & Trowel Trades International Pension Funds
- **California State Teachers' Retirement System**
- **California State Treasurer's Office**
- Calvert Research and Management
- Catholic Health Initiatives
- CTW Investment Group
- **City of Philadelphia Public Employees' Retirement System**
- Congregation of St. Joseph
- **Connecticut State Treasurer's Office**
- Daughters of Charity, Province of St. Louise
- Dignity Health
- Diocese of Springfield, IL
- Domini Impact Investments
- Dominican Sisters of Springfield, IL
- Guidestone Financial Resources of the Southern
- Baptist Convention
- Hermes Equity Ownership Services
- **Illinois State Treasurer's Office**
- Interfaith Center on Corporate Responsibility
- International Brotherhood of Teamsters
- JLens Investor Network
- Mercy Investment Services
- NEI Investments
- Neuberger Berman
- **New York State Common Retirement Fund**
- Northwest Coalition for Responsible Investment
- OIP Trust / Missionary Oblates
- **Office of the New York City Comptroller**
- **Pennsylvania State Treasurer's Office**
- Region VI Coalition for Responsible Investment
- **Rhode Island State Treasurer's Office**
- **School Employees Retirement System of Ohio**
- **Segal Marco Advisors**
- Seventh Generation Interfaith Coalition for Responsible Investment
- Sisters of St. Francis of Philadelphia
- The Socially Responsible Investing Group of 1919 Investment Counsel
- Socially Responsible Investment Coalition
- Trinity Health
- UAW Retiree Medical Benefits Trust
- United Church Funds
- **Vermont State Treasurer's Office**
- Walden Asset Management
- Wespath Benefits and Investments
- **West Virginia State Treasurer's Office**
- Zevin Asset Management, LLC



Source: IOA Website, available at: <http://uawtrust.org/IOA>

Shareholder Engagement: Corporate Policy Changes on Opioids

- IOA members have filed 33 resolutions, and settled 30 proposals
- 10 companies to issue board risk reports
- 2 companies addressed excluding opioid litigation from incentive pay for executives

abbvie

Alkermes

Allergan

AmeriSourceBergen

ASSERTIO

CardinalHealth

endo

CVSHealth

INSYS
THERAPEUTICS, INC.

Johnson & Johnson

Mallinckrodt

MCKESSON

Pfizer

TEVA
TEVA PHARMACEUTICAL INDUSTRIES LTD.

Walgreens Boots Alliance

Proxy Voting: As You Sow's 100 Most Overpaid CEOs List

10 Largest Fund Managers by AUM

Blackrock (\$6.4T)	11%
Vanguard (\$4.8T)	14%
Fidelity (\$2.7T)	7%
SSGA (\$2.7T)	15%
Allianz Life (\$2T)	9%
BNY Mellon (\$1.9T)	51%
JP Morgan (\$1.7T)	18%
PIMCO (\$1.7T)	49%
American Funds/Capital Group (\$1.7T)	30%
Goldman Sachs (\$1.5T)	28%

10 Largest Pension Funds by AUM

Norges Bank	32%
CalPERS	74%
Quebec Pension Fund	41%
PGGM Investments	97%
Canada Pension Plan Investment Board	38%
CalSTRS	40%
Florida SBA	80%
New York City Pension Funds	54%
New York State Common Retirement Fund	53%
Teachers Retirement System of Texas	36%



Source: The 100 Most Overpaid CEOs, As You Sow, available at:

https://static1.squarespace.com/static/59a706d4f5e2319b70240ef9/t/5c6edf92971a180d1fef1597/1550770069046/100MostOverpaidCEOs_2019.pdf

AFL-CIO Key Proxy Votes List 2018

Percent alignment on Key Votes	
Blackrock	31%
Vanguard	28%
Fidelity	38%
SSGA	38%
JP Morgan	24%
Goldman Sachs	42%

- Key Proxy Votes submitted by Taft-Hartely, union, and public employee pension funds
- Key Proxy Votes represent a worker-owner view of value that emphasize management accountability and good corporate governance.

Sample Key Votes	Company
CEO Pay Target Amounts	3M
One Vote Per Share	Alphabet
Report on Drug Pricing	Amgen
Independent Board Chair	Boeing
Report on EEO Metrics	Charles Schwab
Proxy Access	Charter Communications
Report on Lobbying	Citigroup
Board Diversity	Discovery
Report on Content Governance	Facebook
Amend Clawback Policy	Hasbro
Simple Majority Voting	Marriott
Report on Cyber Security	Verizon



Source: 2018 AFL-CIO Key Votes Survey, available at: file:///C:/Users/mobrien/Desktop/2018%20AFL-CIO%20Key%20Votes%20Survey%20Report_31419.pdf

NCPERS 10 Key Proxy Votes to Watch 2019

Company	Issue	Proponent	Meeting Date
Alphabet	Inequitable Employment Practices	New York City Pension Funds	June 19
Ask: Avoid mandatory arbitration of employment-related claims, non-compete agreements, no-poaching pacts, and involuntary non-disclosure agreements in connection with settlement for discrimination or harassment.			
AmerisourceBergen	Executive Compensation A la cart accounting	City of Philadelphia Public Employees Retirement System	Feb 28
Ask: Avoid insulating executives from opioid litigation by excluding costs from calculations for incentive pay for executives.			
Charter Communications	Proxy Access	New York City Pension Funds	April 23
Ask: Provide qualified shareholders with the ability to nominate candidates to the board of directors.			
Exxon Mobil	Board Matrix	New York City Pension Funds	May 29
Ask: Disclose a skills matrix for the board outlining skills, experiences, attributes, gender and race.			
Facebook	Independent Chair	Illinois State Treasurer + co-filers	May 30
Ask: Zuckerberg to step down as board chair and the appointment on an independent director in his place.			



NCPERS 10 Key Proxy Votes to Watch 2019

Company	Issue	Proponent	Meeting Date
Mallinckrodt	Board Risk Report	Mercy Investment Services	May 15
<p>Ask: Report on governance measures Mallinckrodt has implemented since 2012 to more effectively monitor and manage financial and reputational risks related to the opioid crisis, including whether Mallinckrodt has assigned responsibility for such monitoring to the Board or one or more Board committees, revised senior executive compensation metrics or policies, adopted or changed mechanisms for obtaining input from stakeholders, or altered policies or processes regarding company lobbying activities.</p>			
McKesson	Lobbying Disclosure	SHARE	July
<p>Ask: Publicly report the Company's political and lobbying allocations, particularly in light of the company's role in the opioid supply chain.</p>			
Mylan	Misconduct Clawback	UAW Medical Benefits Trust	June
<p>Ask: Adopt a policy to enable the board to recoup compensation in response to misconduct by the executive.</p>			
Sinclair Broadcast Group	Diversity	City of Philadelphia Public Employees Retirement System	June 6
<p>Ask: Include diverse nominees in terms of race and gender in every pool of candidates for director placements.</p>			
XPO Logistics	Sexual Harassment	SEIU MasterTrust	May 15
<p>Ask: Strengthen prevention of workplace sexual harassment by formalizing board oversight role.</p>			



NCPERS Model Proxy Voting Guidelines



The Voice for Public Pensions

NCPERS VOTING GUIDELINES

I. Introduction

- A. This document sets forth guidelines regarding the voting of proxies for the equity investments of the _____ (“Plan”).
- B. These guidelines reflect the Plan’s determination of what positions are in the best economic interests of its beneficiaries on the most common and recurring proxy issues.
- C. The Plan directs its proxy voting agent (“agent”) to follow these guidelines unless the agent, using the care, skill, prudence and diligence that a prudent person would under the prevailing circumstances, believes that the agent should depart from these guidelines to protect the best economic interest of the Plan’s beneficiaries. In such circumstances, the agent should advise the Plan, in advance of the proxy vote deadline, of the agent’s intentions to depart from these guidelines and the agent’s specific reasons for doing so. The Plan reserves the authority to direct the agent to vote the Plan’s proxies in accordance with these guidelines.
- D. If these guidelines do not apply, either directly or by reasonable interpretation, to a proxy issue, or if the guidelines acknowledge that the issue must be decided on a case-by-case basis, the agent is directed to use the care, skill, prudence and diligence that a prudent person would under the prevailing circumstances to cast a vote in the economic best interests of the Plan’s beneficiaries.

Available under “Corporate Governance”
on NCPERS website, www.ncpers.org



Takeaways



Takeaways (1 of 2)

- Capital market developments include rising asset values across retirement plans in the wake of the financial crisis, improved diversification and public funds' implementation of enhanced governance and risk oversight practices
- While lack of small private company employee coverage and a potential retirement crisis pose challenges, Secure Choice launched by NCPERS is expanding coverage through state and local government adoptions
- An increasing share of assets in markets that public funds participate in are owned by high net worth individuals, who account for an industry segment that is growing due in part to growing disparities in income and wealth
- Public funds continue to increase allocations to alternative investments to position their portfolios for long-term risk-adjusted returns, while implementing tools designed to manage alternative investment risk exposures
- ESG implementation takes many forms, including investment policy development, manager selection, proxy voting and engagement, and may be implemented across multiple asset classes
- NCPERS members can find a model proxy voting policy under Corporate Governance on the NCPERS website



Takeaways (2 of 2)

- Proxy votes impact how companies are run and which priorities are addressed.
- While investors' track records on proxy votes vary across investor type and market, public funds take a proactive, programmatic approach to maximize shareholder value for the benefit of members and beneficiaries.



Presenters



Julian Regan
*Senior Vice President and
Public Sector Market Leader*
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Expertise

Mr. Regan joined Segal Marco Advisors in 2009 as part of the firm's continued commitment to public and multi employer benefit plans. Prior to joining the firm, Mr. Regan served in leadership, investment and risk oversight roles in the private and public sectors. Between 2001 and 2006, Mr. Regan served as Executive Director for the New York State Deferred Compensation Board, where he ran the state's then \$8 billion supplemental retirement plan and administered regulations that governed 250 local government plans. Mr. Regan also served as Vice President, Risk Governance and Strategy for Fidelity Investments, and as Assistant General Manager and Budget Director for the Massachusetts Bay Transportation Authority.

Professional Background

From 2005 to 2008, Mr. Regan was a member of the U.S. Internal Revenue Service (IRS) Advisory Committee on Tax Exempt and Government Entities. He is co-author of the National Conference on Public Employee Retirement Systems (NCPERS) *Best Governance Practices for Public Retirement Systems*, and contributing author to the IFEBP *Trustee Handbook*, among other publications.

Education/Professional Designations

Mr. Regan received his M.B.A and B.S.B.A. from Suffolk University and studied at Georgetown University. Mr. Regan is a 2008 recipient of the IRS TE / GE "Commissioner's Award" and a 2004 "Plan Sponsor of the Year" award recipient.



Maureen O'Brien
*Vice President
Corporate Governance Director*
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Expertise

Maureen joined Segal Marco Advisors in 2011 and currently serves as Vice President, Corporate Governance Director where she leads corporate engagements on behalf of SMA's clients and analyzes proxy voting issues. Maureen's work in shareholder advocacy began in 2003 as a Research Analyst for the Investor Responsibility Research Center. Since then, she has specialized in engaging companies on behalf of investors. Most recently, Maureen was Head of Engagement at Conflict Risk Network, where she held dialogues with companies operating in Sudan and other conflict zones

Professional Background

Maureen also served as Research Director at the Center for Political Accountability, a non-profit, non-partisan organization, where she promoted transparency in corporate political spending. Maureen co-founded LINC Negotiations, a Washington, D.C.-based consultancy that provides training in negotiation and mediation. In 2015, Maureen was appointed to the Council of Institutional Investors Corporate Governance Advisory Council.

Education/Professional Designations

Maureen received her M.A. from American University in Washington, D.C. and her B.A. from the University of Missouri-Columbia



Appendix



IOA Impacts: Corporate Policy Changes

abbvie

- NY City settled with company on clawback disclosure
- IOA achieved expanded disclosure on company website regarding discontinuing of Vicodin



- CalSTRS settled with company and withdraws misconduct clawback disclosure
- Sisters of St. Francis settled on board risk report due to be released September 2019
- Teamsters settled with company to separate chair and CEO roles

CVSHealth

- IL Treasurer settled on Board risk report
- NY City settled with CVS on clawback disclosure

Alkermes

- UAW Trust settled with company; agreed to expand corporate lobbying expenditure disclosure



- NY City settled on misconduct clawback
- Calvert settled on Board risk report

endo

- IOA settled on misconduct clawback
- IOA settled with company to expand political spending reporting
- IOA settled on Board risk report

Allergan

- IOA settles with Company on Board Risk Report released February 2019
- IOA settles on misconduct clawback disclosure



- MIS settled on Board risk report
- UAW Trust settled on Board agreed to misconduct clawback
- Teamsters settled on Separation of chair & CEO



- NY City settled on misconduct clawback



IOA Impacts: Corporate Policy Changes

Johnson & Johnson

- Sisters of St. Francis settled on Indep. Chair annual review of combined roles



Mallinckrodt

- UAW Trust settled on misconduct clawback policy
- CalSTRS settled with company to expand political spending reporting

MCKESSON

- Board released risk report at Teamster request
- NY State settled with company to continued reporting on anti-diversion efforts
- Pre-IOA, Teamsters settled to have chief compliance officer report directly to board compliance committee



- NY City settled on clawback disclosure



- MIS settled with Company on board risk report
- UAW Trust/CT Treasurer settled on clawback disclosure
- City of Philadelphia settles with company on exclusion of legal costs



- Teamsters/Hermes settled with Company on misconduct clawback to be included in 2020 proxy statement