

Introduction

PERA recognizes that as a fiduciary manager of the assets held in trust for plan participants and beneficiaries it has a responsibility to manage prudently all of the elements inherent in the publicly traded equities held in the PERA portfolio. These include, but are not limited to, the proxy voting rights associated with shares of stock and the amounts that can be recovered through litigation.

In fulfilling its responsibilities as a shareholder, PERA will act in accord with the following policies.

The Proxy Process

- **Domestic Equities**
PERA will adopt and follow a set of proxy voting guidelines relating to key issues commonly arising in the proxy voting process to efficiently and effectively vote its domestic proxies. PERA Staff will evaluate and respond to specific situations arising in the proxy process as appropriate and will report all activities to the Shareholder Responsibility Committee.
- **International Equities**
PERA will adopt and will follow, or require its external international equity managers to follow, a set of proxy voting guidelines relating to key issues commonly arising in the proxy voting process. Guidelines will only be adopted for countries or regions where the proxy voting process offers opportunity to add value. PERA Staff will report to the Shareholder Responsibility Committee regarding compliance with the guidelines.
- **Annual General Meetings**
PERA Staff shall evaluate opportunities to add value through participation in annual general meetings and shall participate when appropriate. All participation shall be reported to the Shareholder Responsibility Committee.
- **Direct Company Contact**
PERA Staff shall monitor opportunities to add value through direct contact with companies in the PERA portfolio. When possible, direct contact activities should be conducted in cooperation and coordination with other institutional investors. All direct company contacts shall be reported to the Shareholder Responsibility Committee.
- **Shareholder Resolutions**
PERA Staff shall monitor opportunities to add value through providing support for, or opposition to, proposed shareholder resolutions. All activity in this area shall be reported to the Shareholder Responsibility Committee.

Mergers and Acquisitions; IPOs

PERA Staff shall monitor opportunities to add value in these types of transactions and shall report to the Shareholder Responsibility Committee any situations in which the Staff recommends PERA action.

Litigation

PERA Staff shall actively monitor securities litigation to ensure that full recovery is made of all compensation due PERA as a result of securities litigation class activities and shall report all collections, on an annual basis, to the Shareholder Responsibility Committee. PERA Staff shall monitor market situations and securities litigation filings and shall evaluate opportunities to add value through PERA action. All activity in this area shall be reported to the Shareholder Responsibility Committee. The Board shall be promptly informed when PERA moves to be named lead plaintiff in any securities litigation class action. PERA Staff shall develop procedures for both monitoring and involvement in securities litigation class actions.

Regulatory Activities

PERA Staff shall provide comment and other input to regulation regulatory agencies and bodies when appropriate. All such comment and input shall be provided to the Shareholder Responsibility Committee.

Leadership

PERA Staff shall monitor and exploit opportunities for PERA to leverage its influence on issues and processes relating to shareholder responsibility by exercising leadership in education and communication activities, cooperative action with other institutional investors and active participation in appropriate organizations.

The PERA Staff shall develop and implement procedures to effectuate these policies. The procedures shall be provided to the Shareholder Responsibility Committee.

Revised and adopted by the PERA Board of Trustees in October 2002 and by the Shareholder Responsibility Committee in September 2002.