



**Responses to Inquiries  
RFP 24-02  
Proxy Voting Services**

**\*\*\* Revised May 23, 2024 \*\*\***

**Revised INPRS's responses to Questions 13 and Question 24.**

**\*\*\* Revised May 20, 2024 \*\*\***

**Added Question 25.**

**\*\*\* Revised May 3, 2024 \*\*\***

**Revised INPRS's responses to Questions 11 and Question 24.**

1. Please provide the name of the Fund's current proxy voting service provider.

**Answer:** INPRS currently relies on external investment managers to vote proxies. Each of these investment managers report their proxy votes to the system on at least a quarterly basis. Such investment managers may or may not use proxy voting service providers to obtain proxy research and/or make vote decisions.

2. Please provide a report on the Fund's 2023 proxy votes.

**Answer:** You can find quarterly redacted proxy voting reports submitted by INPRS's external investment managers of which INPRS aggregates on INPRS's [APRA Portal](#).

3. How many separately managed equity accounts does the Fund have and what is the asset size of each?

**Answer:** As of March 31, 2024, INPRS had 13 separately managed equity accounts.

US Large Cap - \$1,989 million  
International - \$1,299 million  
International - \$809 million  
International - \$790 million  
US Mid Cap - \$438 million  
International - \$375 million  
US Small Cap - \$212 million  
US Small Cap - \$100 million  
US Large Cap - \$53 million  
US Large Cap - \$49 million  
US Small Cap - \$43 million  
US Small Cap - \$31 million  
US All Cap - \$25 million

4. Does the Fund consider ESG voting items to be pecuniary?

Answer: ESG is a broad term defined by different parties in different ways. It is INPRS’s policy for service providers to evaluate the applicable risk and return (i.e., pecuniary) characteristics of proxy votes whether they involve ESG or non-ESG items.

However, the System pays close attention to ESG items to ensure that service providers vote in accordance with the risk and return investment objectives of the System. INPRS prohibits activities related to the use of System assets on the basis of non-financial factors associated with the achievement of public policy objectives or the advancement of third-party interests for which the proponents of the activity have not produced demonstrable, objective, and specific empirical proof that the activity is consistent with the applicable fiduciary duty standards and the risk and return investment objectives of the System. See Indiana Code 5-10.2-14-1 *et seq.*

5. Does the Fund find voting for transparency and goal setting on ESG matters material to the Fund’s investments?

Answer: INPRS does not have any explicit goals regarding voting on ESG matters. INPRS’s fiduciary duty is to work for the exclusive financial benefit of its members and beneficiaries regardless if a ballot item involves “ESG” or non-ESG topics. INPRS does not have a standard approach with regard to proxy votes on transparency, disclosures, or goals, but is open to suggestions and best practices from the RFP respondents.

Generally, INPRS has a high burden of proof of the pecuniary rationale behind ESG votes and therefore would prioritize ESG reporting transparency for internal usage. INPRS prohibits activities related to the use of System assets on the basis of non-financial factors associated with the achievement of public policy objectives or the advancement of third-party interests for which the proponents of the activity have not produced demonstrable, objective, and specific empirical proof that the activity is consistent with the applicable fiduciary duty standards and the risk and return investment objectives of the System. See Indiana Code 5-10.2-14-1 *et seq.*

6. Please provide the details of your current policy.

Answer: INPRS currently relies on external investment managers to vote proxies. Each of these investment managers report their proxy votes to the system on at least a quarterly basis. Such investment managers may or may not use proxy voting service providers to obtain proxy research and/or make vote decisions.

As a System, INPRS’s [Investment Policy Statement](#) (IPS) Addendum 7 governs the System’s proxy voting program. Inclusive of proxy voting, external investment managers are also expected to abide by INPRS’s Statement on ESG and Other Non-Financial Factors of IPS Section 8.2.6.

7. What percentage of your current public equity book is US vs ex-US?

Answer: As of December 31, 2023:

	Defined Benefit*	Defined Contribution**	Other Plans	System
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US	65% (\$4.9 billion)	80% (\$3.0 billion)	N/A	70% (\$7.9 billion)
Ex-US	35% (\$2.7 billion)	20% (\$0.8 billion)	N/A	30% (\$3.5 billion)
Total	100% (\$7.6 billion)	100% (\$3.8 billion)	N/A	100% (\$11.4 billion)

\*The Defined Benefit plan targets the US vs. Ex-US allocation of the MSCI ACWI ex-China IMI. Also includes S&P 500 futures exposure.

\*\*The Defined Contribution plan's TDFs use the same US vs. Ex-US allocation of the MSCI ACWI ex-China IMI within its equity sleeve, however the core menu options' AUM are driven by participant choice.

8. Does your equity book track certain indices? Which ones?

Answer: INPRS uses a variety of standard, custom, and growth/value versions of the following indices:

- MSCI ACWI ex-China IMI
- Russell 3000
- Russell 1000
- Russell Mid Cap
- Russell 2000
- Russell 2500 / Russell Small Cap Completeness
- S&P 500
- MSCI ACWI ex-US ex-China
- MSCI ACWI ex-US ex-China IMI

9. You mention SEC-registered investment advisor. This only applied to 1 proxy service provider. Will you consider proxy service providers that are not SEC-registered investment advisors?

Answer: Yes we will consider proxy service providers that are not SEC-registered.

10. How many custodians do you use for your public equity book?

Answer: BNY Mellon is the System's custodian. However, the System relies on some commingled equity funds which may have such underlying assets custodied elsewhere.

11. Please detail the specific reporting requirements needed by INPRS.

Answer: Per new Indiana law requirements of [IC 5-10.2-14-11](#), INPRS must report publicly all votes for the System including 1) the vote caption, 2) INPRS's vote, 3) the recommendation of the portfolio company's management, and 3) the recommendation of a proxy advisor or other service provider.

Internally, INPRS needs to be able to aggregate and dissect votes by investment manager, portfolio company, vote categories/types, etc., in order to complete internal due diligence in accordance with IPS Addendum 7 to ensure that proxies are voted in a manner that allows INPRS to fulfill its fiduciary duty.

INPRS's exact reporting needs will be determined by the evaluation of available proxy voting policies and implementation preference across its portfolio. It is likely that INPRS will have a mixture of reporting needs requiring aggregation including 1) separate accounts where investment managers retain their proxy voting delegated authority, 2) separate accounts that INPRS revokes proxy voting delegated authority and instead outsources to a specified proxy voting policy, and 3) the votes from commingled accounts, if possible.

12. Will you need reporting on votes cast by 3rd party managers?

Answer: Yes, INPRS reports on all votes cast by 3<sup>rd</sup> party managers and is looking for a service provider to aggregate these votes as well as expand its reporting capabilities as a result of this RFP. Moving forward, INPRS would be looking to report on votes cast by:

- 1) 3<sup>rd</sup> party (external) investment managers with separate accounts that the System allows to retain their delegated authority to vote proxies (if any),
- 2) 3<sup>rd</sup> party (external) investment managers in commingled funds that the System cannot revoke such delegated authority to vote proxies (if possible), and
- 3) Votes delegated to a specific System-chosen proxy voting policy (if any).

13. Please provide an estimated number of US versus non-US common stocks.

Answer: INPRS at least passively owns all the stocks in the Russell 3000 and MSCI ACWI ex-US ex-China IMI universe. However, given multiple managers with overlapping mandates, INPRS may have multiple investment managers owning the same stock. As of 03/31/2024, INPRS had about 11,800 individual positions across its public equity accounts, of which about 5,800 were US and 6,000 were Ex-US. Please see Response 24 for more details on the breakdowns and overlaps of these positions.

14. Will the System require an advanced notice of upcoming record dates? I.e. will INPRS need to know about upcoming record dates in advance of receiving the ballots?

Answer: The System and/or BNY Mellon may need to know of upcoming record dates to recall shares involved in securities lending. However, this would likely be rare.

15. Does the System need their proxy voting history to be published on its website?

Answer: Yes. At a minimum, INPRS must disclose all votes made on behalf of the System including 1) the vote caption, 2) INPRS's vote, 3) the recommendation of the portfolio company's management, and 4) the recommendation of a proxy advisor or other service provider if applicable, pursuant to [IC 5-10.2-14-11](#).

At this time, INPRS receives a redacted proxy voting report from each external investment manager that INPRS aggregates and publishes on its website. INPRS is looking to consolidate this reporting so that votes are listed by company name (rather than by investment manager report), especially for when multiple investment managers hold the same stock and vote on the same ballot, sometimes differently.

16. Does the System anticipate utilizing multiple proxy voting policies?

Answer: It is likely that the System will prioritize having a singular default proxy voting policy. However, the System may still have multiple policies in force to practically vote all System shares (e.g., commingled funds with no voting choice, US vs. Ex-US assets). Furthermore, the System may desire to use multiple policies for research and comparison purposes.

17. Would the System be interested in considering a bundled proxy voting and class action recovery solution?

Answer: No.

18. Regarding “Vote Transmission and Reporting” question 1 – Please elaborate on the voting strategy envisioned in this question: is INPRS looking for an option to allow investment managers or its custodian Bank of New York Mellon to cast proxy votes, using voting recommendations issued by our firm based on a policy selected by INPRS?

Answer: Regarding separate accounts, INPRS would like the ability to apply a preferred proxy voting policy to a specific external investment manager’s holdings, whether implemented by the manager, via BNY, another vendor or another method. Regarding commingled accounts, INPRS is exploring the ability to have investment managers with “voting choice” use a policy prescribed by INPRS where possible.

19. Regarding “Vote Transmission and Reporting” question 4 –We do not disclose client names nor would we be able to confirm there are setups in place to send voting details to INPRS. Are you asking our firm to disclose client names?

Answer: INPRS is exploring the ability to have commingled fund investment managers with “voting choice” use a policy prescribed by INPRS where possible. You do not have to disclose client names at this time. Any information regarding a proxy voting service provider’s capabilities in this space in a general sense would be helpful. We understand that this is a new space in the proxy voting industry.

20. Regarding “Vote Transmission and Reporting” question 6 –Is this to disseminate and process multiple votes across a commingled account or to pull in vote history data after voting for NPX reporting?

Answer: This question regards commingled funds that are privately listed CITs (collective investment trusts) rather than mutual funds or ETFs. Therefore, NPX reporting is likely not applicable.

21. Regarding “Proxy Voting Advisory Services/Guideline Creation and Annual Update Process” – question 7 – there are two sets of questions a and b, with two being identical. Please clarify which questions should be answered.

Answer: A corrected copy of the RFP is being provided along with this Responses to Inquiries document in InHub and at <https://www.in.gov/inprs/procurement/quoting-opportunities/> . The corrections are shown in red.

22. Regarding Exhibit F – “Placement Agent Disclosure Letter” – please clarify if Exhibit F is part of Appendix A.2 “Standard Base Contract”, or if it is a separate form that should be including with our proposal.

Answer: Exhibit F is part of Appendix A.2 “Standard Base Contract”.

23. Regarding Appendix A - “Sample Contract for Services” – Appendix A.1 – “Essential Clauses”. Please confirm the numbering of clauses 26-30, as there are two clauses numbered 27 and 28.

Answer: A corrected copy of the RFP is being provided along with this Responses to Inquiries document in InHub and at <https://www.in.gov/inprs/procurement/quoting-opportunities/> . The corrected clause numbers are shown in red.

24. Please provide more detail regarding INPRS holdings – number of unique securities held, US/non-US, and ballots voted in 2023.

Answer: In aggregate, INPRS’s investment managers voted about 183,000 votable items in calendar year 2023. See Response #13 for more information on INPRS’s breadth of public equity holdings and overlap thereof.

Regarding our reported 183,000 votable items, this refers to the number of votes cast (i.e., proposals). For instance, if INPRS-owned ABC Company had 10 items to vote for on their annual meeting in 2023, this would result in 10 “votable items” for INPRS. However, if 2 INPRS investment managers each owned “ABC Company” this would then result in 20 “votable items” (i.e., 2 x 10). This 183,000 figure reflects the duplicate ownership of securities across the System, whether directly (i.e., separate account) or indirectly (i.e., commingled funds).

Please see below for the System’s available information regarding securities held by geography and by account type. Please note that:

- 1) Unique\*\*\* sub-categories may not add up to total category depending which accounts have overlapping securities.
- 2) INPRS managers change through time and therefore historical totals for securities & votable items may not reflect future totals.

**Total Physical\* Public Equity Holdings**

Category	Public Equity Securities (03/31/24)	Votable Items (01/01/23-12/31/23)
Total Amount**	11,798	183,029
United States	5,805	50,731
Non-United States	5,993	132,298
Total Unique Amount***	8,186	N/A
United States	3,010	N/A
Non-United States	5,200	N/A

**Separate Account Only Physical\* Public Equity Holdings (e.g., Directly Held at BNY Mellon)**

<b>Category</b>	<b>Public Equity Securities (03/31/24)</b>	<b>Votable Items (01/01/23-12/31/23)</b>
<b>Total Amount**</b>	6,436	93,431
<i>United States</i>	5,300	43,495
<i>Non-United States</i>	1,136	49,936
<b>Total Unique Amount***</b>	3,991	N/A
<i>United States</i>	3,008	N/A
<i>Non-United States</i>	997	N/A

**Commingled Fund Only Physical\* Public Equity Holdings (e.g., Indirectly Owned)**

<b>Category</b>	<b>Public Equity Securities (03/31/24)</b>	<b>Votable Items (01/01/23-12/31/23)</b>
<b>Total Amount**</b>	5,362	89,598
<i>United States</i>	505	7,236
<i>Non-United States</i>	4,857	82,362
<b>Total Unique Amount***</b>	5,361	N/A
<i>United States</i>	505	N/A
<i>Non-United States</i>	4,857	N/A

\*Excludes public equity exposure obtained through derivatives (e.g., S&P 500 futures).

\*\*E.g., 2 accounts owning ABC Company results in 2 securities and x2 votable items per proposal on a ballot.

\*\*\*E.g., 2 accounts owning ABC Company results in 1 security and x1 votable items per proposal on a ballot.

25. The insurance limits in Section 21 Liability Insurance of the Sample Contract included in Appendix A of the RFP are very large. Are we able to submit with much lower insurance coverage?

Answer: The insurance coverage limits language given in the Sample Contract is the standard language INPRS uses in various investment contract templates. The actual coverage included in the contract that results from this RFP will include limits that INPRS agrees are reasonable for the specific type of services described in the RFP. In your RFP response please specify any proposed changes to the Liability Insurance language, including the limits you propose for each of the types of coverage described in Section 21 Liability Insurance of the Sample Contract.