

The Role of Public Pension Funds in Corporate Governance: Evidence from Proxy Voting

Abstract

Public pension funds argue that proxy voting is a primary method of governing companies for them. This paper examines their proxy voting behavior and documents several important determinants. Compared to institutional investors with greater business ties with portfolio firms (e.g., mutual funds), public pension funds are more inclined to vote in favor of (against) shareholder (management) proposals. They support their fellow public pension funds' and labor unions' proposals the most and individual investors' proposals the least. Although more supportive than mutual funds, public pension funds support socially responsible proposals to a lesser degree than other types of shareholder proposals. Public pension funds are more willing to vote against management proposals for firms headquartered in their home state. Funds active in filing shareholder proposals are more likely to vote against (in favor of) management (shareholder) proposals, so are funds from states with strong democratic legislators and public unions. Finally, public pension funds' votes are important to the voting outcomes of both management and shareholder proposals.

JEL Classification: G23; G34

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1. Introduction

Public pension funds are a very important investor group in capital markets. By 2016, they manage more than \$3.7 trillion assets and are affiliated with more than 25 million members and beneficiaries.¹ Not surprisingly, the scale of their assets brings them to the forefront of corporate governance. Besides largely unobservable private negotiations, voting at annual or special meetings is one of the most direct actions investors can take to influence corporate decisions.² This is well recognized by public pension funds. CalPERS, the largest public pension fund in the U.S., sees proxy voting as “*the primary way we can influence a company’s operations and corporate governance.*”³ This view is shared by a number of high profile public pension funds. Thus, understanding the proxy voting behavior of public pension funds is of great importance for understanding the governance role of institutional investors. However, thus far the literature has provided little insights into this question. This paper seeks to fill this gap.⁴

Compared to other institutional investors (e.g., mutual funds), public pension funds are faced with several unique conditions. One is they are influenced by the political cultures of their home states. Two dimensions of this point deserve special attentions. First, Romano (1993) argues that public pension funds yield to politically popular views that hurt portfolio performance. This argument has received some empirical support: Bradley et al. (2015) show public pension funds overweight local and politically connected firms and experience performance declines when doing

¹ Annual Survey of Public Pensions: State- and Locally-Administered Defined Benefit Data Summary Report: 2016, available at <https://www.census.gov/library/publications/2017/econ/g16-aspp-sl.html>.

² McCahery et al. (2016) show that voting against management is a close second commonest governance mechanism used by institutional investors, just behind discussions with top management.

³ <https://www.calpers.ca.gov/page/investments/governance/proxy-voting>.

⁴ The previous literature on governance efforts of public pension funds focuses on shareholder proposals they submit (e.g., Del Guercio and Hawkins, 1999) or the relationship between public pension funds’ equity holdings and firm performance (e.g., Woidtke, 2002). The evidence is mixed and the conclusions are primarily critical. Several studies (e.g., Wahal, 1996; Karpoff et al.; 1996; Wong and Mao, 2015) conclude that shareholder proposals are generally ineffective, whereas Del Guercio and Hawkins (1999) find some support for shareholder value maximization. Woidtke (2002) find a negative relation between public pension funds’ equity ownership and the company’s Tobin’s Q.

so, and Wang and Mao (2015) show public pension funds sponsor a greater number of socially responsible proposals when more politicians sitting on the board of the fund have little financial interests in the fund. In the proxy voting setting, this argument implies that public pension funds would strongly support socially responsible proposals, and they would be less willing to vote against the management of local firms.

Alternatively, although politics could affect public pension funds, the influences might be primarily ideological without direct implications for fund performance. Individuals with divergent political values are likely to disagree on how corporate governance should be carried out. A large body of literature has discussed how political values affect portfolio and corporate decisions, but with few direct implications for fund or corporate performance.⁵ We hereby propose two tests in this regard. First, public pension funds' proxy voting behavior should be affected by the political value of state legislators. State legislators, through legislations and bills, are arguably the most important group of politicians with influences on public pension funds. As democrats are more open to expressing dissatisfactions with corporate management than republicans, public pension funds faced with strong democratic legislators are expected to be more likely to support (vote against) shareholder (management) proposals than other funds. Second, organized labor could affect public pension funds in important ways. Most public pension funds are overseen by a board of trustees that routinely includes member representatives affiliated with labor unions. Unions are politically active with strong influences on legislations affecting public pensions.⁶ Since unions are known for their activism, public pension funds, when facing strong public unions, are expected to be more likely to support (vote against) shareholder (management) proposals.

⁵ See, among others, Hong and Kostovetsky (2012) and Hutton, Jiang, and Kumar (2014).

⁶ See, e.g., DiSalvo (2015) and Anzia and Moe (2017).

In spite of their closer ties with state legislators and labor unions, public pension funds are considerably more independent from corporate management than other institutional investors, such as mutual funds. It has been well established in the literature (e.g., Davis and Kim, 2007; Cohen and Schmidt, 2009; Ashraf et al., 2012) that capital flows from corporate pension and retirement assets and pension services are important businesses to mutual funds, to the point that mutual funds significantly bias their portfolios and proxy voting behavior (to be management-friendly) in an attempt to secure existing and potential pension businesses.⁷ Compared to mutual funds, public pension funds do not need to pursue corporate pension-related capital flows or retirement service businesses, and therefore do not need to compromise with firm management in corporate governance for this purpose. This implies that they should be less supportive of management proposals and more supportive of shareholder proposals than mutual funds.

Using the proxy voting records of 48 public pension funds from 2009-2015, we offer a first look at these funds' voting behavior and documents several important determinants. Our sample is confined to the period after the financial crisis of 2007-2008, during which public pension funds experienced sharp value losses, and were slow in recovery afterward.⁸ These funds are typically defined benefit plans and therefore cannot shift investment risk to members; thus, they face strong pressures to bridge funding gaps and recover valuation losses. This, in turn, could motivate public pension funds to engage in corporate governance with the intention of boosting portfolio performance. Proxy voting, in particular, can help promote specific and/or broad lifts of governance standards with deep and lasting impacts across a large number of companies.⁹

⁷ See, also, Duan, Hotchkiss, and Jiao (2018).

⁸ "Battered by Great Recession, underfunded public pensions to persist," Thomson Reuters news, available at <https://www.reuters.com/article/us-financial-crisis2008-municipals-pensi/battered-by-great-recession-underfunded-public-pensions-to-persist-idUSKBN1H20EG>.

⁹ Del Guercio and Hawkins (1999) show some public pension funds seek broad governance changes in submitting shareholder proposals, whereas others focus on getting specific requests adopted. Proposal submissions are confined

In comparing public pension funds' and mutual funds' attitude toward firm management, we start with examining each group's votes on management-sponsored versus shareholder-sponsored proposals. We find public pension funds are equally likely to support management and shareholder proposals. Note that this does not necessarily imply that public pension funds do not actively promote shareholder interests, because mutual funds routinely lend more support to management proposals than to shareholder proposals. When comparing public pension funds' votes and the votes of mutual funds directly, we find public pension funds are 36.2% more likely to vote in favor of shareholder proposals than mutual funds, and 7.1% less likely to vote in favor of management proposals. These results suggest that fewer business ties with portfolio firms are associated with greater alignments with shareholder value, thereby contributing to the literature on the effect of business ties on institutional investors.

Public pension funds often claim that they are highly independent in proxy voting decisions. Although proxy advisories are routinely retained, most public pension funds emphasize their own research and describe (in voting policy statements) proxy advisories as merely supplemental. Examining our sample funds' voting policies shows only two of the 48 funds, specifically, the Orange County Employees Retirement System and Oregon Public Employees Retirement System, always follow the recommendations of proxy advisory firms.¹⁰ All other funds emphasize independent voting decisions, a claim supported by their voting records. Although CalPERS is well known for independently making voting decisions that could deviate from proxy advisories' recommendations, 31 funds in our sample (out of the 47 funds excluding CalPERS) deviate even more often from ISS recommendations. This high level of independence further differentiates

to a small portion of public pension funds' portfolio firm whereas proxy voting, on the other hand, is related to a much broader set of companies and issues, i.e., it is a low-cost conduit for both broad and specific governance changes.

¹⁰ The Orange County Employees Retirement System follows ISS while the Oregon Public Employees Retirement System follows Glass Lewis. The recommendations of these two proxy advisories are highly correlated.

public pension funds from other institutional investors, such as mutual funds, that rely on proxy advisories' recommendations to a greater degree (Iliev and Lowry, 2015).¹¹

Since public pension funds are a major investor group submitting shareholder proposals, we expect the activist funds among them to economize governance efforts through enhanced understanding of and greater collaborations with other proposal sponsors. More specifically, we expect funds more active in submitting shareholder proposals to be more supportive of other shareholders' proposals as well, and to be more likely to vote against management proposals. The evidence is consistent with the hypothesis: sponsor funds are more likely to vote for (against) shareholder (management) proposals than non-sponsor funds. Moreover, our original sample only includes funds that self-administrate proxy votes, but we are also able to obtain the voting records of 11 public pension funds that delegate proxy voting to institutions managing assets for them. The external managers, typically mutual funds and asset management companies, often follow their own voting policies and consultations with public pension funds are infrequent. Consistent with expectation, we find funds self-administrating proxy votes to be more likely to vote for shareholder proposals than funds delegating votes to external managers.

In light of the result that public pension funds are inclined to support shareholder proposals, we are interested in finding how their votes vary across proposal sponsor types. We manually classify the sponsors into eight categories: individual investors, investment companies, labor unions, public pension funds, religious groups, social groups, SRI funds, and other shareholders. Del Guercio and Woidtke (2014) note that labor unions and public pension funds are the most prolific investors employing low-cost activism strategies including proxy voting; therefore, public

¹¹ Proxy advisory firms argue that their voting recommendations are free of biases. Alexander et al. (2010) shows that ISS's voting advices contain information about the relative and absolute merits of proxy proposals. On the other hand, Li (2016) finds proxy advisories could be biased by the views of large clients.

pension funds are expected to be more aligned with labor unions in proxy voting than with other proposal sponsors. This is indeed what we find: they are most supportive of shareholder proposals submitted by other public pension funds, followed by those submitted by labor unions. Among all shareholder proposals, public pension funds are least likely to support the ones submitted by individual investors. Individual investors are the investor group with highly heterogeneous incentives in submitting proposals, and our results indicate that overall there is little alignment between their incentives and those of public pension funds.¹²

Next, we examine the political factors that could affect public pension funds' proxy voting behavior, starting with two tests of the hypothesis that political pressures could lead to actions that hurt financial performance. As discussed before, this implies that public pension funds would strongly support socially responsible proposals, and would hesitate to vote against the management of local firms. Our analyses cast doubt on these implications. Although public pension funds are major sponsors of environmental and social proposals in our sample, they support this type of proposals the least compared to other shareholder proposals, including those related to director, compensation, and governance. Furthermore, the largest category (59.68%) of environmental and social proposals filed by public pension funds involves requesting firms to disclose political contribution and lobbying expenses, which is rarely driven by political interests. We also find that public pension funds are more likely to vote against management proposals of local firms than non-local firms, and are equally likely to support shareholder proposals of local and non-local firms. The latter finding also holds for environmental and social proposals, which further shows

¹² We screen a sample of 500 shareholder proposals submitted by individual investors from 2009-2015 and find gadfly investors often file proposals for personal taste or personal agenda, whereas some investors sometimes do pursue governance improvements. The heterogeneity across individual investors makes it difficult to generalize their incentives.

that public pension funds do not actively use their influence on local firms to promote such proposals.

The next two sets of tests are on the relationship between public pension funds' proxy voting behavior and political value, while acknowledging there are few implications for financial performance. Specifically, we expect public pension funds facing stronger democratic legislators and stronger public unions to be more active in corporate governance. Classifying our sample funds into those from states with strong democratic legislators, defined as the fraction of democratic representatives in both senate and house being in the top cross-sectional quartile, we find these funds are more likely to vote for (against) shareholder (management) proposals than other funds. Likewise, we rank states on the fractions of public employees represented by unions in each year, and define strong union states as those in the top decile. We find that funds from states with strong labor unions are more likely to vote for (against) shareholder (management) proposals than other funds.

Our last set of tests examine the influences of public pension funds on voting outcomes, which we expect to be significant because of their large ownership stakes. The results support this prediction. The likelihood for shareholder proposals to pass rises by 5.9% with the support of public pension funds and by 1% for management proposals. Proposals with close votes offer more compelling evidence because votes are most important for them, and because they are not subject to the concern that funds may support proposals that are more likely to pass. We calculate the absolute value of difference between the number of supporting votes and the passing threshold, scale this difference by the threshold, rank the proposals on this ratio, and then classify the lowest

1% as proposals with close votes.¹³ We find that with the support of public pension funds, close-vote shareholder (management) proposals are 8.7% (7.2%) more likely to pass.

To the best of our knowledge, we are the first in the literature to examine public pension funds' voting behavior. We contribute to the debate on the roles and motives of these funds in corporate governance. The comprehensive and informative nature of proxy voting records allows us to better examine these roles and motives compared to prior studies that focus on proposals filed by public pension funds. We are also the first to show that lack of business ties to portfolio firms is associated with an increase (decline) in the support for shareholder (management) proposals, thereby contributing to the literature on the effect of business ties on the behavior of institutional investors. Last but not least, our paper also contribute to the empirical literature on shareholder activism and corporate governance (see, among others, Gillan and Starks, 2000; Gaspar, Massa, and Matos, 2005; Chen, Harford, and Li, 2007).

The remainder of the paper is organized as follows. Section 2 discusses the role of public pension funds in proxy voting and describes the sample funds. Section 3 presents empirical results. Section 4 concludes.

2. Empirical Predictions, Data, and Sample

2.1. Public Pension Funds and Proxy Voting

Shareholders vote on proxy proposals at shareholder meetings. Management proposals are initiated by the company's management, and shareholder proposals are filed by shareholders. Management proposals are large in number and cover a wide range of issues such as auditors,

¹³ The 1% threshold is chosen because most proposals pass or fail by large margins. For example, at the 5% level, a proposal on average has 63% (of voting requirement) more or less supporting votes for it to pass, i.e., there is little doubt about whether it will pass or not. The difference is lowered to 19% at the 1% level.

board of directors, corporate capitalization, executive compensation, strategic transactions, and merger and acquisitions. Management employs various tactics to pursue shareholder support for their proposals. Davis and Kim (2007) and Ashraf et al. (2012) show mutual funds' pension and retirement service businesses lead to biases toward management in proxy voting. Cox et al. (2016) find that management bundles proposals together to force shareholders to approve items that they would otherwise reject. Compared to mutual funds with existing or potential business ties with firm management, public pension funds do not suffer from such biases and are better suited to vote on the merit of management proposals. Moreover, public pension funds' portfolios are often large and well diversified, giving them power to affect many companies' proxy voting.

Many past studies focus on shareholder proposals, which are a governance mechanism created by the SEC under the Securities and Exchange Act of 1934. First used in 1942, shareholder proposals are statements submitted by a shareholder requesting a specific action by firm management. They are included in the proxy statement along with management responses and voting recommendations (regarding the proposal).¹⁴ Until late 1980s, shareholder proposals were used almost exclusively by gadfly investors or social/religious groups, and never received enough votes to pass. In late 1980s, with the rise of institutional investors, they began to submit proposals and gained significant support, even amid management's oppositions. In 1992, the SEC relaxed the rules on disclosures of communications among shareholders, significantly lowering the costs and legal risk of shareholder activism. As a result, more private forms of activism, such as phone calls and letters to management became increasingly common. Few managements ignored institutional shareholders' requests and changes were often made without a formal proposal. Thus, in recent periods, institutional investors view filing a proposal as the last resort. Our sample funds

¹⁴ Proposals are almost always advisory because of state laws, i.e., management is not required to implement the proposal even if it passes. SEC views passing votes as a way of communicating shareholders' views to management.

include many of the most active public pension funds, filing 11.63% of shareholder proposals in our sample. In contrast with the decline of proposal filing, proxy voting continues to be of critical importance for public pension funds. As discussed above, compared to other instructional investors such as mutual funds, public pension funds might be better suited to vote on the merit of proposals because of the lack of business ties with the firm.¹⁵

The importance of public pension funds in corporate governance also draws speculation regarding their own conflicts of interests. Some studies (e.g., Romano, 1993) argue that public pension funds are pressured to conform to politically popular views that harm investment performance. The concern is that funds may serve fund administrators, who routinely include state politicians, rather than maximize shareholder value. Romano (1993) notes that state officials or individuals with political aspirations often manage public pension funds, and could pressure for deviations from shareholder value in the interest of political gains. Wang and Mao (2015) show public pension funds file a greater number of environmental and social proposals when more politicians sitting on the board of the fund have little financial interests in the fund. Bradley et al. (2015) show public pension funds overweight local and politically connected firms in their portfolios, thereby suffering from declines in fund performance. By analogy, political pressures might also motivate funds to vote for political considerations rather than shareholder value. In particular, they might favor local firms' management (Bradley et al., 2015) by being more supportive of management proposals, and/or might favor environmental and social proposals (which are often politically appealing) more than other shareholder proposals.

Although whether public pension funds pursue political interests at the cost of financial performance is debatable, it is reasonable to argue that these funds could be influenced by political

¹⁵ Cvijanovic et al. (2016) find mutual funds having business ties with the firm are more management friendly when voting on shareholder proposals.

cultures, without any explicit assumptions on the implications for financial performance. In particular, public pension funds are affected by state legislators through legislations and bills involving public pensions and retirements. Since democrats are more likely to express views against corporate management than republicans, public pension funds facing strong democratic legislators are expected to be more likely to support (vote against) shareholder (management) proposals than other funds. Moreover, organized labor plays a unique role for public pension funds. Most public pension funds are led by a board of trustees that typically includes member representatives affiliated with labor unions. Unions are also among the most active to influence legislations on public pensions. Since unions are well recognized for their activist role in corporate governance, public pension funds facing strong unions are expected to be more likely to support (vote against) shareholder (management) proposals than other funds.

2.2. Data and Sample

The voting records of public pension funds are from the Proxy Insight database, which collects data directly from major U.S. public pension funds. To our knowledge it provides by far the most comprehensive data on the voting records of public pension funds and descriptions of their voting policies. We match each proxy proposal in the Proxy Insight database with the ISS Voting Analytics database to obtain voting outcomes, votes of mutual funds, and ISS voting recommendations. Routine proposals (e.g. adopting minutes from past meetings) from both management and shareholders are removed because many of them are a matter of formality and are not related to matters important to the company or shareholders.

(Table 1 about here)

We manually screen the list of shareholders in the Proxy Insight database to identify 51 public pension funds. Data is scarce prior to 2009, and we therefore restrict the sample period to 2009-2015. Among the 51 funds, we drop Missouri State Employee's Retirement System, Nevada Public Employees Retirement System, and Oklahoma Public Employees Retirement System, because they voted on few shareholder proposals. This leaves us with the 48 public pension funds presented in Table 1, which, to our best knowledge, constitutes the largest fund sample thus far among studies on the governance role of public pension funds. We report the average (total) value of equity holdings, numbers of management and shareholder proposals voted, number of portfolio firms, and the average market capitalization of portfolio firms across sample years for each fund in this table. As can be seen, although there are variations in fund size, many public pension funds manage large equity portfolios, with the average size exceeding \$25 billion and the largest fund, CalPERS, managing close to \$140 billion in equity. As expected, larger funds tend to manage more diversified portfolios with greater numbers of portfolio firms and proxy proposals. For example, CalPERS's portfolio spans 2,504 firms per year with the average market capitalization of \$7.18 billion. Smaller funds, on the other hand, appear to be more heterogeneous: Vermont State Treasurer, the fund with the smallest equity portfolio in the sample, invests in an average of 1,568 firms per year, whereas Public Employees Retirement System of Idaho, although more than seven times bigger in size, only invests in 48 (much bigger) firms per year. These differences are reflected in the numbers of proxy proposals voted by the funds as well.

Note that our sample includes many activist public pension funds, such as CalPERS, CalSTRS, New York City Pension Funds, and the New York State Common Retirement Fund. These funds routinely engage firm management in an attempt to promote changes in companies, and are some of the most active sponsors of shareholder proposals. Anne Sheehan, the director of

corporate governance at CalSTRS, stated that public pension fund activism and management engagement “has stepped up quite a bit more as a result of the financial crisis when we all lost a lot of value. ...how can we not assert our right and develop a relationship with companies in our portfolio?”¹⁶ Meanwhile, unlike many previous studies that focus on the more active group of funds, our sample also includes a number of smaller funds that rarely receive any publicity for firm engagement or filing shareholder proposals (if they do so at all). Not maintaining a high profile in corporate governance may or may not indicate whether these funds care about or participate in corporate governance or not. Examining their proxy voting records allows us to shed light on their roles, which has not been addressed by the existing literature yet.

Our sample include 150,755 management and shareholder proposals of a total of 3,935 firms. In analyses comparing public pension funds with mutual funds, we extract mutual funds’ voting records from the ISS Voting Analytics database. In most tests we control for a number of firm and fund characteristics that might affect shareholders’ voting behavior, including firm size, book-to-market ratio, stock return in the last twelve months, trading volume, Amihud’s illiquidity measure, insider ownership, strength of the firm’s corporate governance (GIM index), fund size, and the fund’s market-adjusted returns over the last twelve months. In addition, we include fund dummies and year dummies in all regressions, and proposal type dummies when possible. Data on public pension funds’ equity holdings are from the Public Plans Database (PPD) of Boston College’s Center for Retirement Research. Firms’ financial and security information is from Compustat and CRSP, and data on their anti-takeover provisions are from the ISS Governance database. The main variables used in this study are described in Appendix A. Summary statistics of the above control variables are presented in Table B1 of Appendix B. They are similar to what

¹⁶ “Some biggest public pension funds are behaving like activist investors.” New York Times, November 28, 2013.

have been documented in the previous literature and we therefore omit further discussions for brevity.

3. The Role of Public Pension Funds in Proxy Voting

3.1. Comparing Public Pension Funds and Mutual Funds

In examining public pension funds' voting behavior, we start with comparing them with other institutional investors, specifically mutual funds, which are an investor group with large ownership stakes and have been under close scrutiny for their role in proxy voting. As discussed in previous sections, relative to mutual funds, public pension funds do not have existing or potential pension related business ties with firms, and therefore are free from related biases. As a result, we expect them to be less supportive of management proposals and more supportive of shareholder proposals than mutual funds.¹⁷

We test the above hypothesis using the following probit regression framework. We construct a “vote for” dummy, denoted by $I(\text{vote for})$, which is equal to 1 if a public pension fund or mutual fund vote in favor of the proposal, and 0 otherwise. Our analysis is at the fund-firm-proposal-year level, with fund, year, and proposal type dummies included in the regressions. Untabulated analyses show our results remain qualitative unchanged when industry dummies are included in regressions as well. We run probit regressions of the “vote for” dummy on an indicator variable of shareholder proposals, denoted by $I(\text{shldr prpsl})$, which is equal to 1 for shareholder proposals and 0 for management proposals, for public pension funds and mutual funds, respectively. $I(\text{shldr prpsl})$ is our key variable of interest, while we control for a number of other

¹⁷ An alternative way is to compare proposals management recommending to vote for and against. Untabulated results show the interpretations of our findings would not be affected. Management routinely recommends to vote against shareholder proposals (see the numbers of observations in Table 3). Thus, the difference in sampling is small.

variables that may affect funds' voting behavior, including the firm and fund characteristics described in Section 2.2. Standard errors are clustered by fund. The results are presented in Table 2.

(Table 2 about here)

Column 1 of Table 2 reports the results for public pension funds. As can be seen from this column, the coefficient on *I(shldr prpsl)* is negative but statistically insignificant, suggesting that public pension funds are equally likely to support management and shareholder proposals. Management proposals are much greater in number than shareholder proposals, and typically receive more support from investors and proxy advisories such as ISS and Glass Lewis. Thus, public pension funds being equally likely to support management and shareholder proposals does not mean they do not actively promote shareholder interests.

Column 2 of Table 2 reports the results for mutual funds. Mutual funds' voting records are extracted from the ISS Voting Analytics database by manually matching fund names with names in the CRSP Mutual Fund database. Since the number of mutual funds are drastically greater than the number of public pension funds in our sample, for ease of comparison, we match each of our 48 public pension funds with mutual funds by equity portfolio size. More specifically, for each public pension fund in each year, we identify a matching mutual fund that is closest to it in total market value of equity holdings, conditional on the difference not exceeding 30% of holdings of the public pension fund. Mutual funds' equity holdings are from the Thomson Reuters Mutual Fund database, and those for public pension funds are from the Public Plans Database (PPD) of Boston College's Center for Retirement Research. We use the matched mutual funds' voting records in all mutual fund related analyses.

The results in column 2 of Table 2 show that mutual funds are much more likely to support management proposals than shareholder proposals: the coefficient on $I(shldr\ prpsl)$ is negative and highly significant. The difference is economically large – the marginal effect is 65.7%, i.e., mutual funds are 65.7% more likely to support management proposals than shareholder proposals. Taken together, results in Table 2 suggest that public pension funds are more likely to support shareholder proposals than mutual funds, and are less likely to support management proposals. These findings are consistent with the notion that lack of business ties with firm management leads to a stronger tendency to voice for (against) shareholders (management).

Coming to control variables, Table 2 shows funds are more likely to support a proposal when the firm's stock has been performing well in the last 12 months or is more liquid, and when insider ownership is low and anti-takeover provisions are weak, i.e., when the firm's internal governance mechanism is strong. As these results are similar to those in previous studies, we omit further discussions for brevity, except for noting that they apply more to management proposals because these proposals significantly outnumber shareholder proposals in Table 2.

(Table 3 about here)

We conduct direct comparisons between public pension funds and mutual funds in Table 3. While the dependent variable remains unchanged, in this table, we construct a dummy indicating the voting records of public pension funds, denoted by $I(PPF)$, which is equal to 1 for votes of public pension funds and 0 for votes of mutual funds, to be our key independent variable. We then conduct probit regressions similar to those in Table 2, expect for replacing the shareholder proposal dummy with $I(PPF)$. A positive (negative) coefficient on $I(PPF)$ suggests that public pension funds are more (less) likely to support a proposal than mutual funds. We also conduct separate

regressions for management and shareholder proposals, as well as shareholder proposals supported and not supported by firm management to further refine the analyses.

The results in Table 3 are consistent with those in Table 2. Column 1 includes both management and shareholder proposals, and shows public pension funds in general are less likely to support a proposal than mutual funds, judging from the negative and significant coefficient on $I(PPF)$. The results in columns 2 and 3 show this is driven by management proposals, whereas public pension funds are more likely to support shareholder proposals than mutual funds. For marginal effects, we find public pension funds are 36.2% more likely to vote in favor of shareholder proposals than mutual funds, and 7.1% less likely to vote in favor of management proposals. In columns 4 and 5, we partition shareholder proposals into those supported versus not supported by firm management, to examine whether public pension funds' support for shareholder proposals are driven by management's recommendations. We find this is not the case: Public pension funds are more likely to support shareholder proposals than mutual funds regardless of whether firm management supports them or not. In particular, exploring the marginal effect shows public pension funds are 36.8% more likely to support a shareholder proposal even if the management recommends to vote against it (column 5).

It is worth highlighting that public pension funds emphasize independence in proxy voting decisions. Although they routinely retain the services of proxy advisory firms, most public pension funds in our sample maintain that they do not simply follow the advisories' recommendations. Instead, they conduct independent research, and view proxy advisories as playing a supplemental role for their voting decisions. Examinations of our sample public pension funds' voting policies show only two of the 48 funds follow proxy advisories' voting recommendations: The Orange County Employees Retirement System follows the recommendations of ISS and Oregon Public

Employees Retirement System follows the recommendations of Glass Lewis. All other funds emphasize independent voting decisions. Indeed, while CalPERS often draws media attention for its independent proxy voting decisions deviating from proxy advisories' recommendations, 31 out of the remaining 47 funds in our sample have even lower rates of voting consistently with the recommendations of ISS than CalPERS. This high level of independence further differentiates public pension funds from other institutional investors, such as mutual funds, that rely more closely on proxy advisory firms' recommendations (Iliev and Lowry, 2015).

3.2. Activist versus Non-activist Public Pension Funds

The evidence in the last section is consistent with the notion that public pension funds play an active and independent role in corporate governance through proxy voting. Another governance approach some public pension funds (the activist funds) are well known for is filing shareholder proposals. We expect the activist funds to economize governance efforts through enhanced understanding of and greater collaborations with other proposal sponsors. More specifically, we expect the funds active in filing shareholder proposals to be more supportive of other shareholders' proposals as well, and to be more likely to vote against management proposals. We test these predictions in this section.

We manually screen proposal sponsors to identify 11 public pension funds active in filing shareholder proposals. They include CalPERS, CalSTRS, Ohio Public Employees Retirement System, North Carolina Department of State Treasurer, the New York State Common Retirement Fund, Florida State Board of Administration, Los Angeles County Employees Retirement Association (LACERA), New York City Pension Funds, Illinois State Board of Investment, Ohio School Employees Retirement System, and State of Connecticut Retirement Plans & Trust Funds.

We classify these funds as sponsor funds and the remaining public pension funds as non-sponsor funds, and construct a dummy variable, denoted by $I(sponsor)$, to indicate the former fund group. We then conduct probit regressions similar to that in column 1 of Table 2, except that we replace the shareholder proposal dummy with $I(sponsor)$, to compare the proxy voting behavior between sponsor and non-sponsor funds. We also run the regressions for shareholder and management proposals separately. The results are presented in Table 4.

(Table 4 about here)

Columns 1 of Table 4 presents the results when both shareholder and management proposals are included. As can be seen from this column, the coefficient on the sponsor fund dummy is negative and statistically significant at the 1% level, suggesting that sponsor funds are more likely to vote against a proposal than non-sponsor funds. When separating shareholder and management proposals, we find the coefficients on $I(sponsor)$ are positive for shareholder proposals (column 2) and negative for management proposals (column 3). In other words, sponsor funds are more likely to support shareholder proposals and vote against management proposals than non-sponsor funds. When the votes of proposal sponsors are removed, the results (untabulated) remain qualitatively unchanged, suggesting that the original results are not driven by funds voting in favor of their own proposals. These results are consistent with the above prediction that activist funds are more inclined to exert governance efforts in proxy voting than non-activist funds. Marginal effect analyses also show these results are economically meaningful: sponsor funds are 32.7% more likely to vote in favor of shareholder proposals and 12.5% less likely to vote in favor of management proposals than non-sponsor funds.

In addition, while our original sample only includes funds that directly administrate their proxy votes, we also obtain the voting records of 11 public pensions that delegate proxy voting to

institutions managing assets for them. In this case, the external managers often vote based on their own voting policies with infrequent consultations with public pension funds. Typical external managers are mutual funds and/or large asset management companies; they have business ties with firms and/or are less inclined to participate in corporate governance than public pension funds. Because of this, funds with externally managed votes are less likely to govern through proxy voting than those managing voting internally, and we therefore expect them to be less likely to vote for shareholder proposals. This is exactly what we find in Table B2. Furthermore, only one of the 11 externally managed funds is a proposal sponsor. The remaining 10 funds do not file any shareholder proposals during our sample period, which further confirms their inactive role in corporate governance.¹⁸

3.3. Sponsors of Shareholder Proposals

The previous results show relative to mutual funds, public pension funds have a stronger tendency to support shareholder proposals. Motivated by this finding, in this section, we explore their votes on proposals sponsored by different categories of shareholders to shed more light on their voting motives.

Information on the identity of shareholder proposal sponsors are from the ISS Voting Analytics database. We manually classify proposal sponsors into eight categories, including individual investors, investment companies, labor unions, public pension funds, religious groups, social groups, SRI funds, and other shareholders.¹⁹ We construct indicator variables for each category and add them to the probit regressions of public pension fund voting, and control for the

¹⁸ We also find that funds with externally managed votes are less likely to vote for (against) shareholder (management) proposals than both sponsor and non-sponsor funds that manage voting internally (untabulated).

¹⁹ The majority of the classification are through identifying the name of the proposal sponsor. When unsure, we search for the website of the sponsor to identify its type.

voting related variables described in Section 2.2. The indicator for proposals filed by public pension funds is omitted as a benchmark group. The results are reported in column 1 of Table 5.

(Table 5 about here)

In column 1 of Table 5, the coefficients on all sponsor indicators are negative and highly significant. That is, public pension funds support the proposals submitted by public pension funds the most. Untabulated analyses show this result remains qualitatively unchanged if the votes of proposal sponsors are removed, i.e., the original result is not driven by funds voting in favor of their own proposals. Instead, it reflects public pension funds' support for proposals filed by other public pension funds. These findings are consistent with the idea that public pension funds join forces in activism.

Coming to other sponsor categories, Del Guercio and Woidtke (2014) argue that labor unions and public pension funds are the most prolific institutional investors employing the “low-cost” activism strategies. In other words, public pension funds might be more aligned with labor unions in proxy voting than with other types of proposal sponsors. This is indeed what we find: among all non-public pension fund sponsors, public pension funds are most supportive of shareholder proposals filed by labor unions.²⁰ In addition, public pension funds are least likely to support proposals filed by individual investors. We manually screen a sample of 500 shareholder proposals filed by individual investors from 2009-2015 and find that the gadfly investors often file proposals for personal taste or personal agenda, whereas other individual investors sometimes do pursue governance improvements. The heterogeneity across individual investors makes it difficult to generalize their incentives. Our results indicate that in general, individual investors' incentives in proxy voting are not well aligned with those of public pension funds.

²⁰ The labor union sponsors in Table 5 are from the private sector and are different from the public unions in our union-coverage related tests.

3.4. Political Interests

As discussed in Sections 1 and 2, the literature has raised concerns that public pension funds may face their own conflicts of interests related to political pressures. Romano (1993) argues that public pension funds are pressured to conform to politically popular views that harm investment performance. Wang and Mao (2015) show public pension funds sponsor a greater number of environmental and social proposals when more politicians sitting on the board of the fund have little financial interests in the fund. Bradley et al. (2015) show public pension funds overweight local and politically connected firms in their portfolios, which harms the funds' financial performance. By analogy, political pressures might also motivate funds to vote according to political interests rather than shareholder value. In particular, they might exhibit favoritism to local firms' management (Bradley et al., 2015) by being more supportive of management proposals, and/or they might favor environmental and social proposals more than other shareholder proposals. We examine these hypotheses in this section.

3.4.1. Proposal Types

Even if public pension funds are not pressured by politicians in proxy voting in general, they may yield to political pressures for certain types of proposals. As discussed above, one prominent example of such proposals are environmental and social proposals (Wang and Mao, 2015), which public pension funds are often considered to be key in promoting. Thus, we are interested in comparing their votes on these versus other proposals. We classify our sample proposals into seven categories based on the issues they are related to: director, compensation, auditor, strategic transaction, takeover, governance, and environmental and social. Director related

proposals are the largest category, accounting for 72% of the sample, followed by proposals on executive compensation and auditors. We create dummy variables for each category and omit the dummy for director-related proposals in regressions as a benchmark.²¹ Among these proposal types, management proposals span the first five categories, and shareholder proposals cover the director, compensation, governance, and environmental and social categories.²² Thus, we conduct separate probit regressions for management and shareholder proposals, and present the results in columns 2 and 3 of Table 5.

Column 2 of Table 5 presents the results for management proposals. Other than being more likely to support proposals related to strategic transactions, there is no clear evidence that public pension funds exhibit any preference for any type of management proposals. Column 3 presents the results for shareholder proposals. As expected, public pension funds are most likely to support governance related shareholder proposals. Contrary to the political pressure view predicting preferential treatment of environmental and social proposals, we find that public pension funds provide least support for these proposals. Furthermore, untabulated analyses of the environmental and social proposals filed by public pension funds show the largest category (accounting for 59.68%) consists of proposals requesting firms to disclose political contribution and lobbying expenses, which can hardly be driven by political interests.

To provide more insights into public pension funds' voting behavior for the environmental and social proposals, we compare their votes with those of mutual funds in Table B3. The tests are the same as those in Table 3, except that only environmental and social proposals are included in the sample. The results in this table suggest that public pension funds are more likely to support

²¹ Note that these dummies are included as control variables in previous regressions.

²² Director and compensation related proposals are the only two categories that can be filed by either management or shareholders. Rerunning the regressions in Table 2 for these proposals leads to similar results (untabulated).

socially responsible proposals than mutual funds. However, marginal effect analyses show this finding is primarily driven by proposals requesting companies to disclose political contributions and lobbying expenses (54.2% more likely), which politicians have little incentive to promote. Overall, our results are inconsistent with the view that political pressures lead public pension funds to support environmental and social proposals at the cost of their members.

3.4.2. Local versus Non-local Firms

The previous literature (e.g., Bradley et al., 2015) suggests that public pension funds have stronger influences on companies headquartered in their home state than other companies.²³ If their proxy voting behavior is driven by efforts to improve firm governance, this implies that local firms would benefit more than non-local firms. On the other hand, if their votes are influenced by political pressures to favor local firms' management, local firms would suffer more from such biases than non-local firms. We test this hypothesis in this section.

We classify a firm as local firm for a specific public pension fund if it is headquartered in the home state of the fund (using data from Compustat), and create a dummy, denoted by $I(\text{local firm})$, to indicate local firms. We then rerun the probit regressions predicting public pension funds' votes by adding this dummy to the regressions for all proposals, and for management and shareholder proposals. The results are presented in Table 6.

(Table 6 about here)

Column 1 of Table 6 presents the results for all proposals. The coefficient on $I(\text{local firm})$ is negative and statistically significant, suggesting that public pension funds are less likely to support the proposals of local firms than the proposals of non-local firms. Partitioning the

²³ Consistent with Bradley et al. (2015), we find public pension funds overweight local firms in their portfolios (untabulated).

proposals into shareholder and management proposals (columns 2 and 3), we find that the results in column 1 are driven by management proposals. More specifically, the coefficient on $I(\text{local firm})$ is negative and significant for management proposals but it is statistically insignificant for shareholder proposals. In other words, public pension funds are more likely to vote against management proposals in local firms than in non-local firms, and are equally likely to support shareholder proposals of local and non-local firms. These findings suggest that public pension funds use their voting power to push back against local firm's management more than the management of non-local firms, which runs against the political pressure view.

Since the political pressure view highlights the environmental and social proposals, we also examine these proposals separately in column 4 of Table 6. In this column, the coefficient on $I(\text{local firm})$ is statistically insignificant, which is consistent with the results on all shareholder proposals (column 2). This finding shows that public pension funds do not actively use their influence on local firms to affect the votes of environmental and social proposals. Overall, the results in this section provide little support for the political pressure view.

3.5. Political Value

Although the results in Section 3.4 run against the political pressure view, we should not interpret them as evidence that politics does not affect public pension funds. Instead, the influences might be primarily ideological without direct implications for fund performance. A large body of literature has developed on how political value affects portfolio and corporate decisions (e.g., Hong and Kostovetsky, 2012; Hutton, Jiang, and Kumar, 2014), but with few implications for fund or corporate performance. Individuals with divergent political values are likely to disagree on how

public pension funds should pursue corporate governance. We focus on the effect of political value next.

3.5.1. State Legislators

Public pension funds could be influenced by political cultures of their home states, particularly by state legislators through legislations and bills involving public pensions and retirements. Since democrats are more likely to express views against corporate management than republicans, public pension funds from facing strong democratic legislators are expected to be more likely to support (vote against) shareholder (management) proposals than other public pension funds.

We rank states by the fractions of democratic legislators in the state senate and house, and define the states in the top cross-sectional quartiles of both rankings as states with strong democratic legislators. We create a dummy variable, denoted by $I(democrat)$, which is equal to 1 for funds from states with strong democratic legislators and 0 otherwise, and rerun the probit regressions on public pension funds' votes with this dummy. The results are presented in Table 7.

(Table 7 about here)

Column 1 of Table 7 includes both shareholder and management proposals, and columns 2 and 3 focus on shareholder and management proposals, respectively. We find that funds from states with strong democratic legislators are more likely to vote for (against) shareholder (management) proposals than other funds: the coefficients on $I(democrat)$ are positive in column 2 and negative in column 3, and both are statistically significant. When exploring the marginal effects, we find these funds are 4.2% more likely to support shareholder proposals and 6.2% more

likely to vote against management proposals than other funds. In other word, political value is an important factor determining public pension funds' voting behavior.

3.5.2. Organized Labor

Compared to other institutional investors, organized labor plays a unique role for public pension funds. Most public pension funds are overseen by a board of trustees that routinely includes member representatives closely affiliated with labor unions. Unions are also among the most active in influencing legislations on public pensions. This implies that unions' view on corporate governance could affect the proxy voting behavior of public pension funds. Since unions are known for their activist role in corporate governance, public pension funds facing strong public unions are expected to be more likely to support (vote against) shareholder (management) proposals than other public pension funds.

(Table 8 about here)

We rank states on the fraction of public employees represented by unions in each year, and define strong union states as those in the top decile. We create a dummy variable, $I(\text{strong unions})$, which is equal to 1 for public pension funds from strong union states and 0 otherwise, to capture funds facing strong unions. We then rerun the regressions in Table 7 with this dummy as our key variable of interest, and present the results in Table 8. These results are consistent with our prediction, with the coefficients on $I(\text{strong unions})$ being positive for shareholder proposals (column 2) and negative for management proposals (column 3), suggesting that public pension funds more influenced by organized labor are more (less) likely to support shareholder (management) proposals. The marginal effects are also large - we find that these funds are 21.4%

more likely to support shareholder proposals and 10.1% more likely to vote against management proposals than other funds.

3.6. Voting Outcome

In this section, we examine the effect of public pension funds' votes on proxy voting outcomes. Even though the previous results suggest that public pension funds play an active and important role in proxy voting, to better gauge the effects of their votes on firms, it is important to understand whether their votes could affect the outcomes of the proposals or not. Since public pension funds often have large ownership stakes, we expect them to have strong influences on voting outcomes, which in turn implies strong influences on companies.

We obtain the voting outcomes from the ISS Voting Analytics database and create a dummy variable, denoted by $I(pass)$, to indicate that the proposal receives greater support than the passing threshold. We also calculate the percentage of votes supporting the proposal ($%for$) by dividing the number of supporting votes by the total vote count. We then regress these outcome variables on the votes of public pension funds, $I(vote\ for)$, controlling for the control variables discussed in Section 2.2. We conduct probit regressions when the dependent variable is $I(pass)$ and panel regressions when it is $%for$. The results are presented in Table 9.

(Table 9 about here)

The results in Table 9 show public pension funds have strong influences on voting outcomes. We start with all proposals in the sample (columns 1-4). The marginal effects of the probit regressions show for shareholder proposals, the likelihood of passing increases by 5.9% with the support of public pension funds, and it increases by 1% for management proposals. We then further restrict the sample to proposals with close votes (columns 5-8) because these proposals

represent the scenario where votes make stronger marginal impact, and because this scenario suffers less from the concern that funds may simply support the proposals that are more likely to pass. We calculate the absolute value of difference between the count of supporting votes and the passing threshold, scale this difference by the threshold, rank the proposals on this ratio, and then classify the lowest 1% as proposals with close votes. We find that with the support of public pension funds, close-vote shareholder proposals are 8.7% more likely to pass and close-vote management proposals are 7.2% more likely to pass. To summarize, these results suggest that public pension funds' votes can significantly affect the proposal's likelihood of passing, which further speaks for the importance of public pension funds in proxy voting.

4. Conclusion

We examine and document several important determinants of public pension funds' proxy voting behavior in this paper. Compared to institutional investors with stronger business ties with portfolio firms, such as mutual funds, public pension funds vote in favor of (against) shareholder (management) proposals more often. They support shareholder proposals filed by fellow public pension funds and labor unions the most and proposals filed by individual investors the least. Although more supportive than mutual funds, public pension funds are less supportive of socially responsible proposals than other shareholder proposals, and are more willing to vote against management proposals of local firms than those of non-local firms. Funds active in filing shareholder proposals are more likely to vote against (in favor of) management (shareholder) proposals, so are funds from states with strong democratic legislators and public unions. We also show public pension funds' votes are important to the voting outcomes of both management and shareholder proposals.

Our paper contributes to the debate on the roles and motives of public pension funds in corporate governance. The comprehensive and informative nature of proxy voting records allows us to better examine these roles and motives compared to prior studies that focus on proposals filed by public pension funds. Our evidence that lack of business ties to portfolio firms is associated with an increase (decline) in the support for shareholder (management) proposals contributes to the literature on the effect of business ties on the behavior of institutional investors. Finally, our paper also contribute to the empirical literature on shareholder activism and corporate governance.

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Table 1: Public Pension Funds

This table describes the equity portfolio value, number of management and shareholder proposals voted, and the number and market capitalizations of portfolio firms of the public pension funds in our sample.

Fund name	Fund size (billion)	# of mgmt proposals	# of shareholder proposals	Avg # of firms per year	Avg size of firms (billion)
Alaska Retirement Management Board	6.21	6,041	352	189	28.54
California Public Employees' Retirement System (CalPERS)	139.89	83,375	1,293	2,504	7.18
California State Teachers' Retirement System (CalSTRS)	94.96	109,216	1,781	2,171	5.83
Chicago Teachers Pension and Retirement Fund	6.42	37,614	875	1,417	7.59
Colorado Fire & Police Pension Association (FPPA)	1.89	17,431	957	407	31.76
Colorado PERA	22.76	22,684	637	840	8.94
Employees Retirement System of Texas	11.88	19,138	833	645	19.22
Florida State Board of Administration	80.16	65,797	1,435	1,944	6.76
Illinois Municipal Retirement Fund	20.31	32,153	1,162	851	17.22
Illinois State Board of Investment	7.11	64,675	1,358	2,569	7.48
Indiana Public Retirement System (Multi-Managed)	3.15	49,400	804	1,969	13.63
Indiana State Teachers Retirement Fund	2.29	5,468	233	548	19.28
Kansas Public Employees Retirement System	9.08	1,225	30	66	9.34
Kentucky Teachers' Retirement System	10.55	37,974	1,146	1,023	13.26
Los Angeles City Employees' Retirement System (LACERS)	6.70	19,700	619	708	16.21
Los Angeles County Employees Retirement Association (LACERA)	24.12	21,048	737	748	15.36
Los Angeles Fire & Police Pensions	8.41	9,518	318	1,010	14.03
Louisiana State Employees' Retirement System (LASERS)	5.94	32,724	1,010	1,184	13.86
Maine PERS	6.41	63,962	1,478	1,807	9.71
Maryland State Retirement and Pension System	16.00	78,899	1,743	2,287	8.01
Massachusetts Pension Reserves Investment Management (PRIM)	20.34	64,726	1,437	2,511	7.84

Table 1 – continued

New Hampshire Retirement System	4.23	29,244	1,109	1,011	16.95
New Jersey State Treasury	37.28	34,925	1,235	724	15.32
New Mexico Educational Retirement Board	4.68	18,356	1,020	539	30.11
New York City Pension Funds	83.24	44,930	741	2,766	7.90
New York State Teachers Retirement System	60.64	74,184	1,292	2,271	8.09
North Carolina Department of State Treasurer	37.07	42,706	1,233	1,170	14.01
Ohio Police & Fire Pension Fund	5.88	424	19	41	5.58
Ohio Public Employees Retirement System (OPERS)	32.17	93,029	1,734	1,604	10.68
Ohio School Employees Retirement System (SERS)	5.54	42,350	1,512	1,073	15.71
Orange County Employees' Retirement System	4.38	2,135	83	80	32.01
Oregon Public Employees Retirement System	23.47	49,670	1,327	1,467	11.25
Pennsylvania Public School Employees' Retirement System (PSERS)	12.33	52,197	1,479	833	16.19
Pennsylvania State Employees' Retirement System (SERS)	11.48	22,288	842	738	17.83
Public Employees Retirement System of Idaho	8.20	1,666	94	48	52.31
San Francisco Employees Retirement System	9.62	127	276	243	36.99
State of Connecticut Retirement Plans & Trust Funds	14.18	29,926	874	823	14.05
State of Wisconsin Investment Board (SWIB)	46.96	25,489	977	860	17.72
State Teachers' Retirement System of Ohio (Ohio STRS)	36.60	38,984	904	1,541	10.30
State Universities Retirement System of Illinois (SURS)	8.09	17,723	295	2,139	5.95
Teacher Retirement System of Texas	58.37	63,940	1,709	1,164	11.31
Teachers Retirement System of Louisiana	8.73	4,452	145	219	28.88
Tennessee Consolidated Retirement System (TCRS)	22.24	24,867	734	1,335	13.15
The New York State Common Retirement Fund	92.78	57,852	1,176	1,628	10.52
The Public Employees Retirement Association Of New Mexico	8.43	2,337	127	107	43.79
Vermont State Treasurer	1.17	40,046	1,155	1,568	11.20
Virginia Retirement System	27.06	28,109	1,036	942	18.35
Washington State Investment Board (WSIB)	17.99	62,681	1,332	1,845	18.56

Table 2: Management versus Shareholder Proposals

This table reports results from probit regressions of proxy votes of public pension funds and mutual funds on the indicator of shareholder proposals and control variables. All variables are defined in Appendix A. Fund and year dummies are included in all regressions but omitted from reporting. Standard errors are clustered by fund. p-values are in parentheses.

	Dependent variable: I(vote for)	
	(1)	(2)
	Public pension funds	Mutual funds
I(shldr prpsl)	-0.160 (0.223)	-2.593*** (0.000)
I(compensation)	-0.195* (0.058)	-0.545*** (0.000)
I(auditor)	0.217 (0.165)	1.193*** (0.000)
I(capitalization)	-0.178 (0.206)	-1.009*** (0.000)
I(strategic transaction)	1.079*** (0.000)	0.348 (0.146)
I(takeover)	-0.095 (0.528)	-0.622*** (0.000)
I(governance)	0.664*** (0.000)	-0.022 (0.905)
I(environmental and social)	-0.864*** (0.000)	-1.462*** (0.000)
Size	-0.412 (0.101)	-0.577 (0.192)
B/M	-0.010 (0.457)	0.001 (0.974)
Return (-12, -1)	0.017*** (0.000)	0.029*** (0.000)
Trading volume	-0.546 (0.850)	-4.783 (0.246)
Amihud illiquidity	-0.037*** (0.000)	-0.046*** (0.003)
Insider ownership	-0.028*** (0.000)	-0.041*** (0.000)
GIM	-0.043*** (0.000)	-0.055*** (0.000)
Fund size	-0.001 (0.242)	-0.002 (0.337)
Fund return	-0.560 (0.147)	0.025 (0.923)
Constant	2.016*** (0.000)	1.890*** (0.000)
Observations	1,221,126	259,590
Pseudo R ²	0.154	0.473

Table 3: Comparison Public Pension Funds with Mutual Funds

This table reports results from probit regressions of proxy votes of public pension funds and mutual funds on the indicator of public pension funds and control variables. All variables are defined in Appendix A. Fund and year dummies are included in all regressions but omitted from reporting. Standard errors are clustered by fund. p-values are in parentheses.

	Dependent variable: I(vote for)				
	(1)	(2)	(3)	(4)	(5)
	All proposals	Shareholder proposals	Management proposals	Shldr prpsl Mgmt for	Shldr prpsl Mgmt against
I(PPF)	-0.065** (0.039)	0.947*** (0.000)	-0.552*** (0.000)	4.026*** (0.000)	0.960*** (0.000)
I(compensation)	-0.252** (0.011)	-0.498*** (0.004)	-0.221** (0.038)		-0.435** (0.020)
I(auditor)	0.215 (0.179)		0.217 (0.188)		
I(capitalization)	-0.248* (0.056)		-0.288** (0.036)		
I(strategic transaction)	1.138*** (0.000)		1.151*** (0.000)		
I(takeover)	-0.048 (0.722)		-0.081 (0.577)		
I(governance)	-0.522*** (0.003)	0.508*** (0.000)		0.604* (0.074)	0.575*** (0.000)
I(environmental and social)	-1.458*** (0.000)	-1.051*** (0.000)		-0.688 (0.139)	-1.007*** (0.000)
Size	-0.663*** (0.002)	-0.603*** (0.000)	0.191 (0.530)	32.316*** (0.001)	-0.731*** (0.000)
B/M	-0.001 (0.918)	-0.170*** (0.000)	0.016 (0.276)	-0.888*** (0.001)	-0.209*** (0.000)
Return (-12, -1)	0.016*** (0.000)	-0.012* (0.076)	0.018*** (0.000)	-0.029 (0.593)	-0.027*** (0.000)
Trading volume	-1.483 (0.544)	-18.000*** (0.000)	-3.119 (0.252)	-152.412* (0.061)	-15.023*** (0.000)
Amihud illiquidity	-0.049*** (0.000)	-0.106 (0.328)	-0.043*** (0.000)	-0.174 (0.126)	0.874*** (0.000)
Insider ownership	-0.030*** (0.000)	0.039*** (0.000)	-0.034*** (0.000)	0.145*** (0.001)	0.036*** (0.000)
GIM	-0.049*** (0.000)	0.096*** (0.000)	-0.054*** (0.000)	0.201** (0.014)	0.084*** (0.000)
Fund size	-0.003** (0.011)	-0.010*** (0.000)	-0.002 (0.150)	-0.027 (0.173)	-0.010*** (0.001)
Fund return	-0.077 (0.783)	-0.119 (0.825)	-0.135 (0.660)	-2.021* (0.053)	-0.145 (0.788)
Constant	2.100*** (0.000)	0.129 (0.666)	2.592*** (0.000)	9.725*** (0.000)	0.114 (0.704)
Observations	1,273,248	45,951	1,226,580	1,768	43,266
Pseudo R ²	0.180	0.392	0.207	0.154	0.405

Table 4: Proposal Sponsors vs. Non-sponsors

This table reports results from probit regressions of proxy votes of public pension funds on an indicator for whether the fund sponsors shareholder proposals or not and control variables. I(sponsor) is a dummy equal to 1 if the fund is a proposal sponsor and 0 otherwise. All other variables are defined in Appendix A. Fund and year dummies are included in all regressions but omitted from reporting. Standard errors are clustered by fund. p-values are in parentheses.

	Dependent variable: I(vote for)		
	(1)	(2)	(3)
	All proposals	Shareholder proposals	Management proposals
I(sponsor)	-0.438*** (0.000)	1.591*** (0.001)	-0.557*** (0.000)
I(compensation)	-0.201* (0.056)	-0.416** (0.046)	-0.190* (0.081)
I(auditor)	0.212 (0.179)		0.221 (0.166)
I(capitalization)	-0.176 (0.210)		-0.175 (0.224)
I(strategic transaction)	1.079*** (0.000)		1.093*** (0.000)
I(takeover)	-0.094 (0.531)		-0.103 (0.505)
I(governance)	0.509*** (0.003)	0.709*** (0.000)	
I(environmental and social)	-1.014*** (0.000)	-0.975*** (0.000)	
Size	-0.464* (0.059)	-1.789*** (0.000)	0.095 (0.750)
B/M	-0.008 (0.535)	-0.156*** (0.000)	0.002 (0.875)
Return (-12, -1)	0.018*** (0.000)	-0.018*** (0.002)	0.019*** (0.000)
Trading volume	-0.838 (0.775)	-14.454*** (0.000)	-2.148 (0.495)
Amihud illiquidity	-0.042*** (0.000)	-0.158** (0.023)	-0.039*** (0.000)
Insider ownership	-0.028*** (0.000)	0.032*** (0.000)	-0.030*** (0.000)
GIM	-0.044*** (0.000)	0.061*** (0.000)	-0.047*** (0.000)
Fund size	-0.002 (0.165)	-0.008 (0.121)	-0.002 (0.166)
Fund return	-0.536 (0.163)	1.078** (0.011)	-0.678* (0.093)
Constant	1.976*** (0.000)	1.103*** (0.000)	2.064*** (0.000)
Observations	1,209,119	40,049	1,169,070
Pseudo R ²	0.155	0.254	0.169

Table 5: Sponsor Type and Proposal Type

This table reports results from probit regressions of proxy votes of public pension funds on the indicators of sponsor types and proposal types, and control variables. All variables are defined in Appendix A. Fund and year dummies are included in all regressions but omitted from reporting. Standard errors are clustered by fund. p-values are in parentheses.

	Dependent variable: I(vote for)		
	(1)	(2)	(3)
	Shareholder proposals	Management proposals	Shareholder proposals
I(individual)	-0.912*** (0.000)		
I(union)	-0.228*** (0.000)		
I(investment company)	-0.597*** (0.000)		
I(religious group)	-0.448*** (0.000)		
I(social group)	-0.640*** (0.000)		
I(SRI fund)	-0.735*** (0.000)		
I(other)	-0.268*** (0.008)		
I(compensation)	-0.365* (0.092)	-0.189* (0.083)	-0.417** (0.045)
I(auditor)		0.228 (0.151)	
I(capitalization)		-0.174 (0.224)	
I(strategic transaction)		1.097*** (0.000)	
I(takeover)		-0.101 (0.512)	
I(governance)	1.190*** (0.000)		0.712*** (0.000)
I(environmental and social)	-1.121*** (0.000)		-0.977*** (0.000)
Size	-1.400*** (0.001)	0.134 (0.660)	-1.787*** (0.000)
B/M	-0.266*** (0.000)	0.001 (0.973)	-0.155*** (0.000)
Return (-12, -1)	-0.034*** (0.000)	0.018*** (0.000)	-0.018*** (0.003)
Trading volume	-6.842 (0.171)	-2.386 (0.463)	-14.490*** (0.000)
Amihud illiquidity	0.709*** (0.000)	-0.034*** (0.000)	-0.148** (0.026)
Insider ownership	0.020*** (0.000)	-0.030*** (0.000)	0.032*** (0.000)
GIM	0.051*** (0.000)	-0.047*** (0.000)	0.061*** (0.000)
Fund size	-0.009 (0.301)	-0.001 (0.245)	-0.008 (0.130)
Fund return	0.538 (0.402)	-0.697* (0.087)	0.972** (0.029)
Constant	1.691*** (0.000)	2.105*** (0.000)	1.156*** (0.000)
Observations	21,377	1,181,017	40,109
Pseudo R ²	0.287	0.167	0.255

Table 6: Local Firms

This table reports results from probit regressions of proxy votes of public pension funds on the indicator of local firms and control variables. All variables are defined in Appendix A. Fund and year dummies are included in all regressions but omitted from reporting. Standard errors are clustered by fund. p-values are in parentheses.

	Dependent variable: I(vote for)			
	(1)	(2)	(3)	(4)
	All proposals	Shldr prpsl	Mgmt prpsl	Envir & social prpsl
I(local firm)	-0.044** (0.036)	0.009 (0.871)	-0.045** (0.038)	0.014 (0.861)
I(compensation)	-0.187* (0.078)	-0.441** (0.039)	-0.176 (0.111)	
I(auditor)	0.222 (0.164)		0.231 (0.151)	
I(capitalization)	-0.385*** (0.010)		-0.385** (0.011)	
I(strategic transaction)	1.060*** (0.000)		1.074*** (0.000)	
I(takeover)	-0.050 (0.742)		-0.058 (0.712)	
I(governance)	0.542*** (0.002)	0.711*** (0.000)		
I(environmental and social)	-1.008*** (0.000)	-1.012*** (0.000)		
Size	-0.331 (0.223)	-1.701*** (0.000)	0.251 (0.441)	-1.168*** (0.000)
B/M	-0.007 (0.634)	-0.165*** (0.000)	0.003 (0.828)	0.171*** (0.000)
Return (-12, -1)	0.017*** (0.000)	-0.016*** (0.009)	0.018*** (0.000)	-0.025*** (0.002)
Trading volume	-1.825 (0.546)	-15.681*** (0.000)	-3.341 (0.307)	-9.710*** (0.000)
Amihud illiquidity	-0.038*** (0.000)	-0.158** (0.018)	-0.035*** (0.000)	0.660** (0.027)
Insider ownership	-0.028*** (0.000)	0.031*** (0.000)	-0.030*** (0.000)	0.032*** (0.000)
GIM	-0.042*** (0.000)	0.060*** (0.000)	-0.045*** (0.000)	0.045*** (0.000)
Fund size	-0.001 (0.259)	-0.008 (0.114)	-0.001 (0.263)	-0.006 (0.494)
Fund return	-0.558 (0.155)	0.916** (0.047)	-0.696* (0.094)	2.318* (0.069)
Constant	2.047*** (0.000)	3.011*** (0.000)	2.028*** (0.000)	1.103 (0.395)
Observations	1,149,388	37,803	1,111,585	11,698
Pseudo R ²	0.152	0.260	0.166	0.287

Table 7: State Legislators

This table reports results from probit regressions of proxy votes of public pension funds on an indicator for the strength of democrats vs republicans in state senate and house, and control variables. I(democrat) is a dummy equal to 1 if the fractions of democrats in the senate and house are in the top cross-sectional quartiles, and 0 otherwise. All other variables are defined in Appendix A. Fund and year dummies are included in all regressions but omitted from reporting. Standard errors are clustered by fund. p-values are in parentheses.

	Dependent variable: I(vote for)		
	(1)	(2)	(3)
	All proposals	Shareholder proposals	Management proposals
I(democrat)	-0.477*** (0.000)	0.162*** (0.000)	-0.287*** (0.000)
I(compensation)	-0.201* (0.057)	-0.414** (0.047)	-0.191* (0.083)
I(auditor)	0.203 (0.203)		0.212 (0.189)
I(capitalization)	-0.173 (0.220)		-0.172 (0.234)
I(strategic transaction)	1.076*** (0.000)		1.090*** (0.000)
I(takeover)	-0.096 (0.520)		-0.106 (0.493)
I(governance)	0.511*** (0.002)	0.716*** (0.000)	
I(environmental and social)	-1.015*** (0.000)	-0.973*** (0.000)	
Size	-0.562** (0.019)	-1.774*** (0.000)	-0.016 (0.955)
B/M	-0.004 (0.750)	-0.157*** (0.000)	0.007 (0.588)
Return (-12, -1)	0.018*** (0.000)	-0.018*** (0.002)	0.020*** (0.000)
Trading volume	0.101 (0.972)	-14.575*** (0.000)	-1.034 (0.738)
Amihud illiquidity	-0.044*** (0.000)	-0.158** (0.023)	-0.040*** (0.000)
Insider ownership	-0.028*** (0.000)	0.032*** (0.000)	-0.031*** (0.000)
GIM	-0.044*** (0.000)	0.062*** (0.000)	-0.048*** (0.000)
Fund size	-0.002 (0.183)	-0.008 (0.117)	-0.002 (0.178)
Fund return	-0.370 (0.397)	1.133*** (0.007)	-0.483 (0.298)
Constant	2.048*** (0.000)	0.982*** (0.000)	2.150*** (0.000)
Observations	1,189,284	40,005	1,149,279
Pseudo R ²	0.157	0.254	0.171

Table 8: Strength of Unions

This table reports results from probit regressions of proxy votes of public pension funds on an indicator for the strength of public unions in the state and control variables. I(strong unions) is a dummy equal to 1 if the fund's state's public union coverage is in the top decile of the sample, and 0 otherwise. All other variables are defined in Appendix A. Fund and year dummies are included in all regressions but omitted from reporting. Standard errors are clustered by fund. p-values are in parentheses.

	Dependent variable: I(vote for)		
	(1)	(2)	(3)
	All proposals	Shareholder proposals	Management proposals
I(strong unions)	-0.304*** (0.001)	1.648*** (0.003)	-0.418*** (0.000)
I(compensation)	-0.197* (0.066)	-0.405* (0.061)	-0.187* (0.093)
I(auditor)	0.191 (0.237)		0.199 (0.224)
I(capitalization)	-0.225 (0.113)		-0.225 (0.120)
I(strategic transaction)	1.001*** (0.000)		1.008*** (0.000)
I(takeover)	-0.014 (0.929)		-0.022 (0.892)
I(governance)	0.544*** (0.002)	0.778*** (0.000)	
I(environmental and social)	-0.982*** (0.000)	-0.931*** (0.000)	
Size	-0.704*** (0.003)	-1.619*** (0.000)	-0.189 (0.504)
B/M	0.002 (0.848)	-0.138*** (0.000)	0.013 (0.342)
Return (-12, -1)	0.019*** (0.000)	-0.008 (0.168)	0.020*** (0.000)
Trading volume	2.108 (0.484)	-17.414*** (0.000)	1.000 (0.752)
Amihud illiquidity	-0.044*** (0.000)	-0.164** (0.016)	-0.041*** (0.000)
Insider ownership	-0.029*** (0.000)	0.034*** (0.000)	-0.032*** (0.000)
GIM	-0.046*** (0.000)	0.046*** (0.000)	-0.049*** (0.000)
Fund size	-0.003*** (0.002)	-0.009 (0.150)	-0.003*** (0.003)
Fund return	-0.849* (0.068)	1.738*** (0.001)	-0.999** (0.043)
Constant	2.147*** (0.000)	1.100*** (0.000)	2.261*** (0.000)
Observations	1,145,915	37,043	1,108,872
Pseudo R ²	0.160	0.253	0.174

Table 9: Voting Outcome

This table reports results from probit and panel regressions of voting outcomes on votes of public pension funds and control variables. Columns 1, 2, 5, and 6 report results of probit regressions. Columns 3, 4, 7, and 8 report results of panel regressions. All variables are defined in Appendix A. Fund and year dummies are included in all regressions but omitted from reporting. Proposal type dummies are also included but omitted from reporting. Standard errors are clustered by fund. p-values are in parentheses.

Dependent variable	All proposals				Proposals with close outcome			
	I(pass)	I(pass)	% for	% for	I(pass)	I(pass)	% for	% for
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Shldr prpsl	Mgmt prpsl	Shldr prpsl	Mgmt prpsl	Shldr prpsl	Mgmt prpsl	Shldr prpsl	Mgmt prpsl
I(vote for)	1.244*** (0.000)	0.828*** (0.000)	0.145*** (0.000)	0.084*** (0.000)	0.308*** (0.000)	0.246*** (0.000)	0.013*** (0.000)	0.096*** (0.000)
Size	-16.292*** (0.000)	4.195*** (0.000)	-0.828*** (0.000)	0.064*** (0.000)	-9.962*** (0.000)	4.856*** (0.000)	-0.307*** (0.000)	0.282*** (0.000)
B/M	0.216*** (0.000)	-0.192*** (0.000)	-0.022*** (0.000)	-0.003*** (0.000)	0.544*** (0.000)	-0.450*** (0.000)	0.016*** (0.000)	-0.012*** (0.001)
Return (-12, -1)	-0.012** (0.046)	0.053*** (0.000)	-0.003*** (0.000)	0.002*** (0.000)	0.057*** (0.000)	0.072*** (0.000)	0.003*** (0.000)	0.004*** (0.000)
Trading volume	54.220*** (0.000)	-29.005*** (0.000)	2.616*** (0.000)	-0.503*** (0.000)	52.926*** (0.000)	-62.018*** (0.000)	2.338*** (0.000)	-3.526*** (0.000)
Amihud illiquidity	0.618*** (0.000)	0.045*** (0.000)	0.152*** (0.000)	-0.004*** (0.000)	-1.140*** (0.000)	0.107*** (0.000)	-0.002* (0.066)	0.000 (0.500)
Insider ownership	-0.004* (0.081)	0.001 (0.370)	-0.001*** (0.000)	-0.001*** (0.000)	-0.016*** (0.000)	-0.007*** (0.002)	-0.001*** (0.000)	-0.001*** (0.000)
GIM	0.161*** (0.000)	-0.048*** (0.000)	0.025*** (0.000)	-0.002*** (0.000)	0.163*** (0.000)	-0.166*** (0.000)	0.009*** (0.000)	-0.006*** (0.000)
Fund size	0.004** (0.019)	0.002*** (0.001)	0.000* (0.086)	-0.000 (0.258)	-0.001 (0.122)	0.002 (0.412)	0.000 (0.681)	0.000** (0.040)
Fund return	2.871*** (0.001)	1.024*** (0.000)	0.438*** (0.002)	0.003 (0.758)	-0.047 (0.886)	0.339 (0.313)	0.007 (0.542)	0.002 (0.933)
Constant	-2.352*** (0.000)	3.330*** (0.000)	0.118*** (0.000)	0.879*** (0.000)	-0.662*** (0.000)	3.793*** (0.000)	0.438*** (0.000)	0.623*** (0.000)
Observations	38,281	1,177,269	37,962	1,166,216	7,201	6,160	7,233	6,197
(Pseudo) R ²	0.417	0.252	0.475	0.236	0.133	0.0649	0.168	0.430

Appendix A: Variable Definitions

I(vote for)	A dummy equal to 1 if the fund votes in favor of a proposal and 0 otherwise.
I(shldr prpsl)	A dummy equal to 1 for shareholder proposals and 0 for management proposals.
I(PPF)	A dummy equal to 1 if the fund is a public pension fund and 0 otherwise.
I(director)	A dummy equal to 1 if the proposal is related to board directors and 0 otherwise.
I(compensation)	A dummy equal to 1 if the proposal is related to compensation and 0 otherwise.
I(auditor)	A dummy equal to 1 if the proposal is related to auditors and 0 otherwise.
I(capitalization)	A dummy equal to 1 if the proposal is related to capitalization and 0 otherwise.
I(strategic transaction)	A dummy equal to 1 if the proposal is related to strategic transactions and 0 otherwise.
I(takeover)	A dummy equal to 1 if the proposal is related to takeovers and 0 otherwise.
I(governance)	A dummy equal to 1 if the proposal is related to corporate governance and 0 otherwise.
I(environmental and social)	A dummy equal to 1 if the proposal is related to environmental and social issues and 0 otherwise.
I(individual)	A dummy equal to 1 if the proposal is filed by individual investors and 0 otherwise.
I(union)	A dummy equal to 1 if the proposal is filed by labor unions and 0 otherwise.
I(investment company)	A dummy equal to 1 if the proposal is filed by investment companies and 0 otherwise.
I(PPF)	A dummy equal to 1 if the proposal is filed by public pension funds and 0 otherwise.
I(religious group)	A dummy equal to 1 if the proposal is filed by religious groups and 0 otherwise.
I(social group)	A dummy equal to 1 if the proposal is filed by social groups and 0 otherwise.
I(SRI fund)	A dummy equal to 1 if the proposal is filed by SRI funds and 0 otherwise.
I(other)	A dummy equal to 1 if the proposal is filed by other investors and 0 otherwise.
I(local firm)	A dummy equal to 1 if the firm is headquartered in the public pension fund's state and 0 otherwise.
Size	The firm's market capitalization, defined as the product of share price and the number of shares outstanding.
B/M	The firm's book-to-market ratio, defined as the book value of equity divided by market capitalization.
Return (-12, -1)	Industry-adjusted return in the last twelve months, where the industry is defined by the 3-digit SIC code.
Trading volume	Average trading volume (in billions) over the last 12 months.
Amihud illiquidity	Average Amihud's illiquidity ratio over the last 12 months. The Amihud's illiquidity ratio is defined as return divided by trading volume.
Insider ownership	Percentage of shares owned by executives in Execucomp.
GIM	The governance index constructed following Gompers, Ishii, and Metrick (2003) using the ISS governance data on antitakeover provisions.
Fund size	Total value of equity holdings of the fund.
Fund return	Market adjusted return of the fund over the last 12 months, where market is defined as the CRSP value-weighted index.

Appendix B: Additional Analyses

Table B1: Summary Statistics of Main Variables

This table presents summary statistics of the main variables used in this study. All variables are defined in Appendix A of the paper.

	Mean	Std. dev	Median	p10	p90
I(vote for)	0.81	0.39	1	0	1
Size	5.81	18.72	1.09	0.18	11.39
B/M	0.58	0.42	0.51	0.13	1.14
Return (-12, -1)	-0.13	2.64	-0.12	-3.38	3.09
Trading volume	0.99	2.40	0.19	0.01	2.49
Amihud illiquidity	2.32	3.94	0.47	0.03	8.01
Insider ownership	2.76	5.10	0.84	0.12	7.56
GIM	7.68	1.43	8	6	10
Fund size	29.12	32.45	16.00	4.38	80.53
Fund return	-0.40	0.05	-0.03	-0.10	0.01

Table B2: Internally vs. Externally Managed Proxy Votes

This table reports results from probit regressions of proxy votes of public pension funds on an indicator for whether the votes are internally or externally managed, and control variables. I(external) is a dummy equal to 1 if the votes are externally managed and 0 otherwise. All other variables are defined in Appendix A of the paper. Fund and year dummies are included in all regressions but omitted from reporting. Standard errors are clustered by fund. p-values are in parentheses.

	Dependent variable: I(vote for)		
	(1)	(2)	(3)
	All proposals	Shareholder proposals	Management proposals
I(external)	-0.071 (0.141)	-2.948*** (0.000)	0.008 (0.876)
I(compensation)	-0.243** (0.016)	-0.386* (0.052)	-0.233** (0.027)
I(auditor)	0.194 (0.193)		0.202 (0.181)
I(capitalization)	-0.208 (0.118)		-0.209 (0.125)
I(strategic transaction)	1.066*** (0.000)		1.076*** (0.000)
I(takeover)	-0.072 (0.612)		-0.083 (0.568)
I(governance)	0.348** (0.032)	0.688*** (0.000)	
I(environmental and social)	-1.098*** (0.000)	-0.981*** (0.000)	
Size	-0.716*** (0.002)	-1.617*** (0.000)	-0.223 (0.426)
B/M	-0.006 (0.638)	-0.156*** (0.000)	0.006 (0.664)
Return (-12, -1)	0.018*** (0.000)	-0.028*** (0.000)	0.020*** (0.000)
Trading volume	1.567 (0.579)	-14.528*** (0.000)	1.419 (0.653)
Amihud illiquidity	-0.046*** (0.000)	0.552*** (0.000)	-0.043*** (0.000)
Insider ownership	-0.029*** (0.000)	0.032*** (0.000)	-0.031*** (0.000)
GIM	-0.048*** (0.000)	0.061*** (0.000)	-0.052*** (0.000)
Fund size	-0.004** (0.024)	-0.007 (0.283)	-0.004** (0.027)
Fund return	-0.974** (0.036)	1.356*** (0.010)	-1.135** (0.025)
Constant	2.037*** (0.000)	0.853*** (0.000)	2.107*** (0.000)
Observations	1,183,140	40,845	1,142,295
Pseudo R ²	0.160	0.271	0.175

Table B3: Socially Responsible Proposals

This table reports results from probit regressions comparing public pension funds' votes on environmental and social proposals with votes of mutual funds. All variables are defined in Appendix A of the paper. Fund and year dummies are included in all regressions but omitted from reporting. Standard errors are clustered by fund. p-values are in parentheses.

	Dependent variable: I(vote for)		
	(1)	(2)	(3)
	All environmental and social proposals	Excluding political disclosure proposals	Political disclosure proposals
I(PPF)	0.773*** (0.000)	0.423*** (0.003)	1.500*** (0.000)
Size	-1.049*** (0.000)	-0.447 (0.182)	0.017 (0.968)
B/M	0.223*** (0.000)	0.366*** (0.000)	-0.018 (0.855)
Return (-12, -1)	-0.031*** (0.000)	-0.022* (0.076)	-0.060*** (0.000)
Trading volume	-8.084*** (0.000)	-8.834*** (0.000)	-8.905 (0.126)
Amihud illiquidity	1.592*** (0.000)	1.618*** (0.000)	13.695*** (0.000)
Insider ownership	0.033*** (0.000)	0.038*** (0.000)	0.092*** (0.000)
GIM	0.052*** (0.000)	0.092*** (0.000)	0.092*** (0.000)
Fund size	-0.004 (0.722)	-0.006 (0.602)	-0.003 (0.839)
Fund return	0.732 (0.570)	-2.796* (0.087)	2.630 (0.132)
Constant	-4.793*** (0.000)	-4.829*** (0.000)	-0.853** (0.021)
Observations	13,452	6,760	5,317
Pseudo R ²	0.371	0.365	0.354