

MINUTES
GOVERNANCE COMMITTEE MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

One McInnis Parkway, 1st Floor
Retirement Board Conference Room
San Rafael, CA

November 17, 2016 – 9:00 a.m.

CALL TO ORDER

Chair Gladstern called the meeting to order at 9:00 a.m.

ROLL CALL

PRESENT: Brenk, Gladstern, Murphy, Thomas

ABSENT: None

MINUTES

It was M/S Brenk/Thomas to approve the April 21, 2016 Governance Committee Meeting Minutes as submitted.

AYES: Brenk, Gladstern, Murphy, Thomas

NOES: None

ABSTAIN: None

ABSENT: None

A. OPEN TIME FOR PUBLIC EXPRESSION

Note: The public may also address the Committee regarding any agenda item when the Committee considers the item.

No public comment.

B. NEW BUSINESS

1. **Proxy Voting (Action)**

At its April 2016 meeting the Governance Committee directed that staff review the Corporate Governance Policy based on its discussions on incorporating governance activities, like proxy voting, into the investment management process. As a result Mr. Wickman presented proposed updates to proxy voting guidelines outlined in the Investment Policy Statement and proxy voting policy in the Corporate Governance Policy as a first step in building up MCERA's processes for proxy voting.

The proposed changes refer information on proxy voting to the Corporate Governance Policy and establish reporting on proxy voting to the Governance Committee. The Corporate Governance Policy is revised to establish proxy voting standards by investment type and include policies and procedures in the policy. The new title of Proxy Voting and Corporate Governance Policy is proposed for the Corporate Governance Policy to indicate governance over investment management.

Chair Gladstern supported the proposed revisions as a proactive beginning to a multiphase transition in governing proxy voting. The Administrator noted that proxy reports include the recommendation of management and the reason for a vote against a recommendation. There was general agreement that the Governance Committee is the appropriate venue for reviewing investment manager proxy voting reports and managing expectations for the managers. Mr. Wickman said staff will have the opportunity to highlight items for the Committee, such as the environmental issues at Chevron that were controversial, and other potentially important initiatives.

It was M/S Brenk/Murphy to recommend that the Investment Committee adopt amendments to the Investment Policy Statement and Corporate Governance Policy as amended per discussions.

AYES: Brenk, Gladstern, Murphy, Thomas
NOES: None
ABSTAIN: None
ABSENT: None

Responding to trustee inquiries, Mr. Wickman said in his summary review of available proxy votes the most common proxy No vote is where there is a misalignment of interests on Boards. The next most common No vote is about executive compensation. Chair Gladstern said the State Street compliance officer offered to present information to the Board on the firm's proxy voting process.

2. Existing Policies – Standard Review with Proposed Updates

a. Code of Fiduciary Conduct, Ethics and Governance (Action)

Conduct standard policy review, and consider potential recommendations to Board of edits to same.

Mr. Wickman reviewed proposed policy updates to the Code of Fiduciary Conduct, Ethics and Governance that formalize the recusal process currently in practice by the Board.

It was M/S Brenk/Murphy to recommend that the Board adopt amendments to the Code of Fiduciary Conduct, Ethics and Governance as submitted.

AYES: Brenk, Gladstern, Murphy, Thomas
NOES: None
ABSTAIN: None
ABSENT: None

b. Trustee Due Diligence Policy (Action)

Conduct standard policy review, and consider potential recommendations to Board of edits to same.

Mr. Wickman presented updates to the Trustee Due Diligence Policy that clarify current due diligence practice. For example, the Board may designate a representative to conduct due diligence. The Administrator noted that, in addition to formal due diligence site visits, he meets regularly with investment managers. Callan Associates is also conducting regular meetings with managers. He spoke to the educational value of participating in due diligence visits that typically include compliance and trade desk staff, for example, in addition to portfolio managers.

It was M/S Brenk/Thomas to recommend that the Board adopt amendments to the Trustee Due Diligence Policy as submitted.

AYES: Brenk, Gladstern, Murphy, Thomas
NOES: None
ABSTAIN: None
ABSENT: None

3. Existing Policies – Standard Review without Proposed Updates (Action)

a. Interest Crediting Policy (Action)

Conduct standard policy review

Mr. Wickman stated that the Interest Crediting and Unrestricted Earnings Policies were adopted in 2010 to memorialize MCERA's processes for crediting interest to member accounts, specifically to reserve accounts. No updates are proposed for these two policies.

b. Unrestricted Earnings Policy (Action)

Conduct standard policy review


It was M/S Brenk/Murphy to accept the review of the Interest Crediting Policy and the Unrestricted Earnings Policy.

AYES: Brenk, Gladstern, Murphy, Thomas
NOES: None
ABSTAIN: None
ABSENT: None

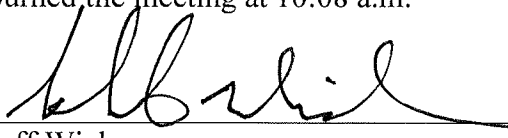
4. Next Committee Meeting

Future topics of discussion include new statutory felony forfeiture provisions.

There being no further business, Chair Gladstern adjourned the meeting at 10:08 a.m.



Maya Gladstern
Chairperson



Jeff Wickman
Retirement Administrator