

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

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

April 25, 2017 – 1:30 p.m.

The Board of Retirement for the Marin County Employees' Retirement Association encourages a respectful presentation of public views to the Board. The Board, staff and public are expected to be polite and courteous, and refrain from questioning the character or motives of others. Please help create an atmosphere of respect during Board and Committee meetings. If members of the public wish to speak on any agenda item, please alert the Retirement Administrator to that request prior to the matter being called.

CALL TO ORDER

Chair Cooper called the meeting to order at 1:35 p.m.

ROLL CALL

PRESENT: Cooper, Gladstern, Jones, Silberstein

ABSENT: Thomas

MINUTES

It was M/S Gladstern/Cooper to approve the November 17, 2016 Governance Committee Meeting Minutes as submitted.

AYES: Cooper, Gladstern, Jones, Silberstein

NOES: None

ABSTAIN: None

ABSENT: Thomas

A. OPEN TIME FOR PUBLIC EXPRESSION

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

Open time for public expression, from three to five minutes per speaker, on items not on the Committee Agenda. While members of the public are welcome to address the Committee during this time on matters within the Committee's jurisdiction, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or action may be taken by the Committee concerning a non-agenda item. Members of the Committee may (1) briefly respond to statements made or questions posed by persons

addressing the Committee, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

No public comment.

B. NEW BUSINESS

1. Authorization for Retirement Administrator regarding Governance Initiatives (Action)
Consider authorizing the Retirement Administrator after consulting with the Board Chairperson to respond to governance initiatives.

Retirement Administrator Jeff Wickman explained that MCERA infrequently is asked to sign on in favor of governance initiatives that are developed by outside bodies like the Council of Institutional Investors (CII). Typically these initiatives would be brought to the Board for review and approval but because of timing issues this is not always possible. Because the Retirement Administrator does not have the authority to act on the Board's behalf without specific delegated authority, the opportunity to lend MCERA's voice in support of specific issue may be lost. The Board recommended that the Governance Committee consider whether limited delegated authority could be provided to the Retirement Administrator if similar issues of importance were to arise that could not be brought to the full Board before the deadline for action passed.

As a result, the Administrator proposed that the Committee direct staff to develop a Board resolution that would authorize the Retirement Administrator to act on behalf of the Board under certain circumstances. These are when MCERA is approached by public sector institutions or associations to support an issue that aligns with MCERA's policies in its Code of Fiduciary Conduct, Ethics and Governance or Proxy Voting and Corporate Governance Policy. In addition, prior to acting the Retirement Administrator would seek the input of the Board and/or Investment Committee Chair. Trustee Gladstern supported the Administrator's recommendation. Chair Cooper observed giving the Retirement Administrator limited authority as discussed would streamline policy.

It was M/S Jones/Silberstein to direct staff to draft a resolution to delegate limited authority to the Retirement Administrator after consulting with the Board and/or Investment Committee Chairperson to respond to governance initiatives that align with MCERA policies.

AYES: Cooper, Gladstern, Jones, Silberstein
NOES: None
ABSTAIN: None
ABSENT: Thomas

2. Proxy Voting Reports

Proxy voting records of public equity managers for 2016

Mr. Wickman stated that last year the Board adopted a Governance Committee recommendation to bring additional visibility on proxy voting. In accordance with the resulting Proxy Voting and Corporate Governance Policy provisions, proxy voting reports for 2016 were presented to the Committee for review. In addition, staff presented an analysis of votes against management proposals and CEO pay for Morgan Stanley, Artisan

and Fidelity (FIAM) in response to discussions during manager reviews at the March Investment Committee meeting. Related guidelines/policies for the three investment managers were presented. All managers use the same two advisors, Institutional Shareholder Services (ISS) and Glass Lewis, for proxy voting. The Administrator discussed complicating factors in analyzing the proxy voting reports, such as defining which proposals have to do with CEO pay. Because this was the first time exercising the revised policy, the Retirement Administrator requested guidance from the Committee on what staff follow up they would like.

Trustee Gladstern said reviewing proxy voting records and guidelines is a reasonable start. Trustee Silberstein suggested the Committee focus on domestic equity managers and ask them to review our proxy voting policy and analyze how it differs from their policy. He pointed to differences in MCERA's policy from the managers, voicing particular interest in the pay of CEOs and stock options that potentially dilute shareholder value. Trustee Silberstein believes there should be consequences for managers who do not follow MCERA proxy voting policy provisions.

Mr. Wickman suggested as a first step that the Committee recommend the Board consider sending a letter and MCERA's Proxy Voting and Corporate Governance Policy to the managers. The managers would be asked to consider whether there is alignment of policies and, if not, potential realignment and whether the managers would follow MCERA policy. Findings would be brought back to the Committee for further consideration. There was agreement by the Committee to direct staff to take this action. Other topics for further discussions include what action would be taken if MCERA policy was not followed and setting specific parameters for CEO pay. The Administrator advised against changing managers' authority to vote proxies on behalf of MCERA and encouraged Committee members to share their views on corporate governance with the rest of the Board.

3. Investment Policy Statement (Action)

Consider potential recommended changes to the Watchlist provisions

Mr. Wickman said at the March Investment Committee meeting two managers with good long-term performance were added to the Watchlist. As a result, the Governance Committee was directed to review Watchlist provisions. The Committee discussed potential revisions presented by Callan Associates to align with the long-term performance objectives of the Fund and lend flexibility to the process. Based on discussions, the Committee directed staff to make further edits to Watchlist provisions for consideration by the Investment Committee, including that rules would apply to both active and passive managers and a category for violating proxy voting guidelines would be added.

4. Existing Policies – Proposed Updates

a. Conflict of Interest Code (Action)

Consider potential recommendations to Board to align with FPPC gift limit.

Mr. Wickman said the only material change to the Conflict of Interest Code is to align the gift limit with amended FPPC regulations.

It was M/S Gladstern/Jones to recommend that the Board adopt updates to the Conflict of Interest Code as submitted.

AYES: Cooper, Gladstern, Jones, Silberstein
NOES: None
ABSTAIN: None
ABSENT: Thomas

b. Trustee and Staff Travel and Expense Policy (Action)

Consider potential recommendations to Board to align with FPPC gift limit.

Updates to the Trustee and Staff Travel and Expense Policy align the gift limit with FPPC regulations.

It was M/S Gladstern/Jones to recommend that the Board adopt updates to the Trustee and Staff Travel Expense Policy as submitted.

AYES: Cooper, Gladstern, Jones, Silberstein
NOES: None
ABSTAIN: None
ABSENT: Thomas

c. Policy Regarding Adoption of Actuarial Economic Assumptions (Action)

Consider potential recommendation to Board to update valuation date.

The proposed update to the Policy Regarding Adoption of Actuarial Economic Assumptions moves the annual valuation period from June of 2015 to June of 2016.

It was M/S Gladstern/Jones to recommend that the Board adopt updates to the Policy Regarding Adoption of Actuarial Economic Assumptions as submitted.

AYES: Cooper, Gladstern, Jones, Silberstein
NOES: None
ABSTAIN: None
ABSENT: Thomas

d. Portable Electronic Device Policy (Action)

Consider potential recommendation to Board to clarify communications including the use of personal devices as to the Public Records Act.

Mr. Wickman presented updates to the Portable Electronic Device Policy to set guidelines for the use of personal devices in communicating MCERA business to align with the Ralph M. Brown Act and the recent Supreme Court decision regarding the California Public Records Act.

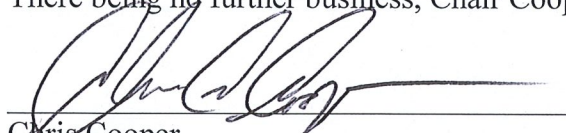
It was M/S Gladstern/Cooper to recommend that the Board adopt updates to the Portable Electronic Device Policy as submitted.

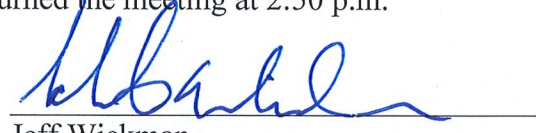
AYES: Cooper, Gladstern, Jones, Silberstein
NOES: None
ABSTAIN: None
ABSENT: Thomas

5. Next Committee Meeting

Mr. Wickman affirmed the Committee's direction that the Investment Committee will consider the proxy voting matter. Staff will be developing a proposed policy on felony forfeiture for consideration at a future meeting.

There being no further business, Chair Cooper adjourned the meeting at 2:50 p.m.



Chris Cooper
Chairperson

Jeff Wickman
Retirement Administrator