

## MINUTES

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

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

April 25, 2018 – 9:00 a.m.

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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 items, 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 9:05 a.m.

#### **ROLL CALL**

PRESENT: Cooper, Gladstern, Jones, Silberstein

ABSENT: Thomas

#### **MINUTES**

It was M/S Gladstern/Silberstein to approve the November 1, 2017 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 members of the public provided comment.

## **B. NEW BUSINESS**

### **1. Proxy Voting**

#### **a. Proxy Voting Reports**

Proxy voting records of public equity managers for December 31, 2017

Mr. Wickman presented proxy voting reports for the second half of 2017 in accordance with MCERA's Proxy Voting and Corporate Governance Policy provisions. As has been done in the past, staff presented an analysis of votes against management proposals and CEO pay for Morgan Stanley, Dimensional Fund Advisors (DFA) and Fidelity Institutional Asset Management (FIAM). Data for DFA is being substituted for Artisan data that was not yet available. The Administrator said the summary is a snapshot intended to give the Committee a sense of what staff is seeing. The manager responses presented below lend a deeper insight into how managers vote. Mr. Wickman said the other point of the policy is the Committee can direct staff to follow up on items needing clarification.

#### **b. Manager Responses on Proxy Voting Policy Alignment**

Mr. Wickman presented the responses of six public equity managers to his letter asking that they 1) compare their proxy voting policy to MCERA's and 2) compare votes cast during the first six months of 2017 with the recommendations of proxy voting services like ISS and Glass-Lewis. Columbus Circle did not reply, and this may be due to their knowledge that MCERA plans to move the portfolio to a different manager and strategy. Some managers provided detailed responses, and others made general comments regarding the difficulty in comparing a tactical policy like MCERA's to their company's more strategic policy.

Based on Trustee Silberstein's suggestion, the Committee concentrated on the responses from its domestic equity managers State Street Global Advisors (SSGA) and Dimensional Fund Advisors (DFA). For SSGA the discussion focused on gaining greater clarity into how CEO pay votes were cast in comparison with ISS recommendations (they voted no less often and indicate they plan to abstain in the future), and the lower percentage of votes for an independent Board Chairman as opposed to the position being held by the Chief Executive Officer. For DFA the discussion focused on the frequency by which the votes were cast for "say on pay" and against disclosing political expenditures, which is contrary to MCERA's policy recommending annual disclosure of all non-monetary and monetary contributions. There was general agreement that the Board should follow up with SSGA and DFA on these areas.

It was M/S Gladstern/Jones to recommend that the Board direct staff to communicate with State Street Global Advisors and Dimensional Fund Advisors on a few areas where their actions do not comply with MCERA's Proxy Voting and Governance Policy.

Governance Committee Chair Cooper expressed his concern that the managers may have valid reasons for voting a certain way on an issue. His preference, therefore, was to seek clarification from the managers as opposed to directing managers how they should vote. The Administrator agreed we need the thinking behind why managers vote certain ways and there was general agreement on this approach in following up with the managers. Trustee Silberstein pointed to language in Artisan's response on casting votes in the fund's economic interest that he questioned. Ms. Dunning said they may be distinguishing between the individual client and the best interests of the overall investors in the fund. Mr. Wickman offered to follow up on this point. The Administrator is letting managers know to be prepared to report on proxy voting when they give annual reports to the Board.

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

## 2. Existing Policies – Standard Review with Proposed Updates

### a. Disability Retirement and Survivor Benefits Applications Policy (Action)

Review, discuss and consider potential recommendations to Board to update policy

Mr. Wickman presented proposed updates to the Disability Retirement and Survivor Benefits Applications Policy to capture related discussions on improving disability processes during the April 2018 Strategic Workshop. The updates provide for the option to have, after the Board's initial consideration, reconsideration of the application prior to the applicant going to an administrative hearing. In addition, disability retirement applications returning from an administrative hearing will be placed on the Disability Consent Agenda.

It was M/S Gladstern/Silberstein to recommend that the Board adopt updates to the Disability Retirement and Survivor Benefits Applications Policy as submitted.

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

b. Guidelines for Discussion of Disability Retirement and Survivor Benefit Applications (Action)

Review, discuss and consider potential recommendations to Board to update guidelines

Proposed updates to the Guidelines for Discussion of Disability Retirement and Survivor Benefit Applications align with the updates for the Disability Retirement and Survivor Benefits Applications Policy.

It was M/S Gladstern/Silberstein to recommend that the Board adopt updates to the Guidelines for Discussion of Disability Retirement and Survivor Benefit Applications as submitted.

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

c. Conflict of Interest Code (Action)

Consider potential recommendations to Board to update policy

Mr. Wickman presented updates to the Conflict of Interest Code to add the new position of Accounting Unit Manager and the position of Benefits Supervisor to designated filers listed on Schedule B.

It was M/S Jones/Gladstern 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

3. Existing Policies – Standard Review without Proposed Updates

Mr. Wickman stated staff and counsel have reviewed the policies scheduled for standard review and recommend no changes.

It was M/S Gladstern/Jones to recommend that the Board approve the review of the policies listed in Items B.3.a – i below.

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

a. Accessibility of Records Policy (Action)

Conduct standard policy review

b. Budget Policy and Adoption Process (Action)

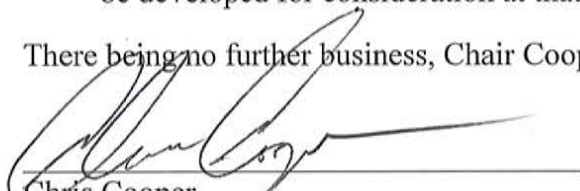
Conduct standard policy review

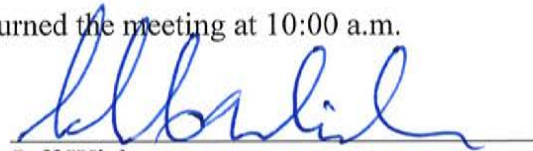
- c. Class Action Securities Litigation Policy (Action)  
Conduct standard policy review
- d. Investment Code of Conduct and Insider Trading Policy (Action)  
Conduct standard policy review
- e. Placement Agent Payment Disclosure Policy (Action)  
Conduct standard policy review
- f. Reciprocal Members' Final Compensation Determinations Policy (Action)  
Conduct standard policy review
- g. Retirement Administrator Annual Performance Evaluation Policy (Action)  
Conduct standard policy review
- h. Senior Management Contingency Plan Policy (Action)  
Conduct standard policy review
- i. Portable Electronic Device Policy (Action)  
Conduct standard policy review

4. Next Committee Meeting

Mr. Wickman will send a letter to the managers as indicated above and present results at the Committee's fall meeting. In addition, a policy on the asset/liability study process will be developed for consideration at that meeting.

There being no further business, Chair Cooper adjourned the meeting at 10:00 a.m.

  
Chris Cooper  
Chairperson

  
Jeff Wickman  
Retirement Administrator