

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

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

November 19, 2018 – 9:00 a.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 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 9:04 a.m.

ROLL CALL

PRESENT: Cooper, Gladstern, Jones, Silberstein

ABSENT: Thomas

MINUTES

It was M/S Gladstern/Jones to approve the April 25, 2018 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 September 30, 2018

Retirement Administrator Jeff Wickman reported that equity managers were asked to provide proxy voting reports in the format requested that compares proxy votes with Institutional Shareholder Services (ISS) and Glass Lewis recommendations. All the managers complied, which should provide additional clarity when the Board is reviewing the reports. Trustee Silberstein expressed appreciation for the improved reporting format. Staff has no particular observations on the proxy reports for the regular semi-annual reporting.

b. Manager Responses on Proxy Voting Policy Alignment

Mr. Wickman reported, as a follow-up to the April Governance Committee meeting, on the letter he sent at the request of the Board to Dimensional Fund Advisors (DFA) and State Street Global Advisors (SSGA) asking for comments on areas in the managers' policies or votes where there appear to be differences with MCERA's Proxy Voting and Corporate Governance Policy. Trustee Silberstein said he is concerned that DFA does not vote for disclosure of political contributions, which is contrary to MCERA's policy. Mr. Wickman said the DFA response was essentially that MCERA is in a commingled vehicle and they are unable to customize voting based on MCERA's policy. MCERA has recently moved to a new separate account vehicle which would provide more flexibility for customized voting.

Mr. Wickman reported the SSGA response on say-on-pay proxy voting was that it has instituted a new policy to abstain from the vote. Their response provided more background on what they are trying to do better. He suggested the Board continue to communicate with DFA and SSGA on what is important to the Board to seek more changes to voting patterns. The Administrator advised waiting to see if these managers bring their proxy voting more in line with ISS and Glass Lewis recommendations, then as time goes on have those discussions. Trustee Silberstein supported this view. Mr. Wickman noted that CalPERS just stepped up its voting against say-on-pay packages.

Trustee Gladstern observed that the evolution of the proxy voting discussion is interesting, pointing out that SSGA and DFA represent two of the largest equity portfolios in the Fund. Chair Cooper stated he would need additional information on items managers are voting on. It becomes a question of how much time to devote to proxy voting, he said, and he has not heard a good answer from peers. Mr. Wickman

said we have sent a clear message that will help the managers understand there are certain things that are more important than others. He agreed with the Chair there will need to be a lot of discussion. Trustee Silberstein said it is the Board's fiduciary duty to monitor proxy voting. Agreeing that it would be a lot of work to question specific votes, he suggested using one of the existing voting services using a predetermined policy set by the Board.

2. New Policies and Charters

a. Charter for Audit Committee (Action)

Review, discuss and consider potential recommendation to Board to adopt standing committee charter

Mr. Wickman presented a proposed draft charter for a standing audit committee that would be responsible for financial statements and any operations or controls. Over half of '37 Act systems have an audit committee, he said, and some larger systems have an internal audit function. The Board Chair would appoint the committee members who would meet and serve as the interface with the external auditor. This process provides additional independence for the work of the auditor, Mr. Wickman said. Staff will update the Finance and Risk Management Committee Charter to reflect the functions assigned to the new standing Audit Committee.

It was M/S Gladstern/Jones to recommend that the Board adopt the Audit Committee Charter as submitted.

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

3. Existing Policies – Standard Review with Proposed Updates

a. Key Service Provider Performance Evaluation Policy (Action)

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

Mr. Wickman said the proposed updates to the Key Service Provider Performance Evaluation Policy are a complete update of the former policy that was challenging to administer. Policy provisions provide structure with more flexibility in terms of how key service providers are evaluated. In response to Trustee Gladstern's inquiry, the Administrator said the policy specifies clearly who the key service providers are, and defines subjective and objective standards. He noted our providers are being evaluated on a day-to-day basis in any event. There was discussion on refinements to the committees assigned to providers, and adding the disability consultant.

It was M/S Gladstern/Silberstein to recommend that the Board adopt updates to the Key Service Provider Performance Evaluation Policy as amended per discussions.

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

b. Portable Electronic Device Policy (Action)

Consider potential recommendation to Board to update policy

Mr. Wickman presented updates to the Portable Electronic Device Policy that add a review process for upgrading electronic devices and anticipate greater flexibility on using the internet. Trustees will be relied upon to follow applicable policies and laws since electronic devices are a public resource.

It was M/S Jones/Silberstein 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

c. Policy Regarding Actuarial Equivalence Determinations for Modified Retirement and Survivor Allowances (Action)

Consider potential recommendation to Board to update policy

Mr. Wickman presented updates to the Policy Regarding Actuarial Equivalence Determinations for Modified Retirement and Survivor Allowance arising from the 2017 Experience Study that established changes affecting actuarial equivalence. The language was provided by the actuary and reviewed by staff. Chair Cooper asked about mortality rate changes and Mr. Wickman explained the projection is for longer lifespans, particularly for certain safety members. Actuarial equivalence determinations equate the beneficiary lifetime to the retiree lifetime for the optional survivor benefit retirement option.

It was M/S Gladstern/Jones to recommend that the Board adopt updates to the Policy Regarding Actuarial Equivalence Determinations for Modified Retirement and Survivor Allowances as submitted.

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

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

Consider potential recommendation to Board to update policy

Mr. Wickman said the only change for the Policy Regarding Adoption of Actuarial Economic Assumptions is the effective date for assumptions that have already been adopted by the Board.

It was M/S Jones/Silberstein 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

4. Existing Policies – Standard Review without Proposed Updates

Mr. Wickman stated staff and counsel have reviewed the following policies scheduled for standard review, and no changes are recommended.

It was M/S Silberstein/Gladstern to recommend that the Board approve the review of the policies listed in Agenda Items B.4.a – g below.

AYES: Cooper, Gladstern, Jones, Silberstein

NOES: None

ABSTAIN: None

ABSENT: Thomas

a. Compensation Earnable and Pensionable Compensation Policy (Action)

Conduct standard policy review

b. Trustee Education Policy (Action)

Conduct standard policy review

c. Election and Duties of Board of Retirement Officers Policy (Action)

Conduct standard policy review

d. Facility Use and Reservation Policy (Action)

Conduct standard policy review

e. Procedures for Hearings on Matters Other Than Disability Retirement (Action)

Conduct standard policy review

f. Records Retention Policy and Guidelines (Action)

Conduct standard policy review

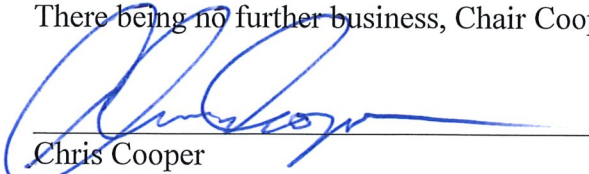
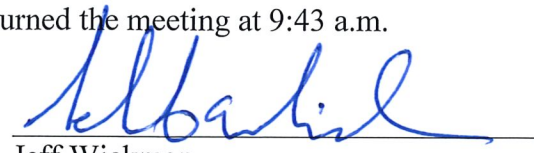
g. Timing of Employer Payment of Required Contributions to MCERA Policy (Action)

Conduct standard policy review

5. Next Committee Meeting

Chair Cooper invited Committee members to propose topics they would like to address at the Committee's April 24, 2019 meeting. Committee members for 2019 will be appointed at the December Board meeting.

There being no further business, Chair Cooper adjourned the meeting at 9:43 a.m.


Chris Cooper
Chairperson
Jeff Wickman
Retirement Administrator