

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

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

October 7, 2020 – 9:00 a.m.

This meeting was held via teleconference pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020.

CALL TO ORDER

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

ROLL CALL

PRESENT: Cooper, Gladstern, Jones, Silberstein, Thomas

ABSENT: None

MINUTES

The Minutes of the May 13, 2020 Governance Committee will be considered for approval at the next Committee meeting.

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 June 30, 2020

Retirement Administrator Jeff Wickman presented proxy voting reports of MCERA's equity managers as of June 30, 2020. Chair Cooper invited Committee members to comment on the proxy voting reports. Trustee Silberstein observed there is the same pattern as in the past with Dimensional Fund Advisors (DFA) and State Street Global Advisors (State Street) proxy voting. DFA continues to vote to review Chief Executive Officer (CEO) salaries every 3 years instead of every year as management, ISS and Glass Lewis recommend. State Street continues to have large numbers of abstentions on CEO pay, political expenditures, and having an independent Board chair. Trustee Silberstein noted MCERA has written to these managers about these votes. He also observed that State Street abstained on a resolution at Facebook regarding a report of online exploitation of children.

Mr. Wickman noted that due to their extensive size, proxy voting reports will not be included in Board meeting packets going forward. Instead, a few proxy voting examples reflecting the Committee's discussion will be included in the Committee report to the Board.

2. Governance Risk Report – Institutional Shareholder Services (ISS) – Nathan Worthington and Jack Ferdon

Review and discuss the ISS quarterly Risk Assessment Report and consider appropriate action, if any.

Jack Ferdon, Senior Associate, Client Service & Consultants, of Institutional Shareholder Services, discussed the quarterly Governance Risk Report for the quarter ending June 30, 2020. Mr. Ferdon noted that the vast majority of annual corporate meetings are held during the second quarter of every year. The report provides a comparison of voting patterns of MCERA's equity managers. Each manager is ranked based on an ISS relative metric on a variety of proxy voting matters. The 10 to 8 range reflects poor governance and there are few scores in this range. Some holdings in the report are in pooled funds and the values shown are not specific to the value of MCERA's holdings in the funds.

Trustee Gladstern asked what MCERA should do about companies who have poor rankings. In response Mr. Ferdon said MCERA could engage and communicate with companies or vote against specific items. Trustee Silberstein added that one thing would be to vote for shareholder resolutions to improve governance. Trustee Gladstern asked if MCERA holds different voting rights. Mr. Worthington, Executive Director and Head of Client Service and Consultants with ISS, replied that all companies in the report are there because MCERA does have voting rights in the meeting indicated.

Mr. Ferdon presented and assessed votes by each investment manager. TimesSquare and Artisan vote most often with management. Parametric follows the Public Fund Proxy Voting Guidelines which results in more votes against management proposals. Trustee

Silberstein noted the Public Fund Proxy Voting Guidelines (Guidelines) attempt to influence management to improve governance. Mr. Worthington noted the Guidelines are looking for more independent boards and in essence the best of the best governance practices. Mr. Silberstein noted the DFA and State Street voting patterns differ from the way MCERA would vote based on MCERA's Proxy Voting and Corporate Governance Policy.

Report attributes include how aligned manager votes were with management recommendations on different topics. Shareholder proposals show MCERA's managers most often supported governance-related proposals on health and environmental issues. Mr. Ferdon said it was a milestone when a notable proposal asking a board to report on how its lobbying activity supported the Paris climate agreements won majority support.

Mr. Ferdon said there were fewer proxy contests than the prior year due likely to COVID19 and related reduced travel. Trustee Thomas asked if there were contradictory statements in one proxy contest. Mr. Ferdon said the statement is reflective of the ISS analytical model that assesses the argument of the dissident and reviews the company relative to peers, which in this case showed alignment. Trustee Silberstein noted the company has a policy that it can pay the Chief Executive Officer (CEO) whatever it wants. The fact is that this time the pay is reasonable, he said.

Trustee Gladstern expressed appreciation for the ISS Governance Risk Report which she finds to be valuable. Trustee Silberstein supported this view and noted the report makes clear differences in how managers vote from what our policy would be. Mr. Worthington offered to send the ISS high-level assessment of proxy voting to MCERA.

It was M/S Silberstein/Gladstern to recommend that the Investment Committee consider engaging Institutional Shareholder Services (ISS) to vote MCERA's proxies in the State Street Global Advisors S&P 500 portfolio and Dimensional Fund Advisors core small cap portfolio according to the ISS Public Fund Policy.

Mr. Wickman recalled having a discussion about ISS voting MCERA's shares a few years ago. He said this can be brought to the Investment Committee to have ISS go through the Governance Risk Report and explain how this would work including associated costs.

The motion was approved by a vote of 5-0 as follows:

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

3. Existing Policies – Standard Review with Proposed Updates

a. Investment Policy Statement (Action)

Consider possible recommendation to Board on updates to policy

The Administrator stated updates to the Investment Policy Statement align with changes to the Proxy Voting and Governance Policy approved by the Board.

It was M/S Silberstein/Thomas to recommend that the Board approve updates to the Investment Policy Statement as submitted. The motion was approved by a vote of 5-0 as follows:

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

b. Credit Card Policy (Action)

Consider possible recommendation to Board on updates to policy

Mr. Wickman said the updates to the Credit Card Policy include an additional card for the Retirement Administrator, clarifying card issuance under MCERA's name, having exceptions authorized by the Board Chair, and clarifying spending limits when approval by the Board Chair would be needed.

It was M/S Gladstern/Silberstein to recommend that the Board approve updates to the Credit Card Policy as submitted. The motion was approved by a vote of 5-0 as follows:

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

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

Consider possible recommendation to Board on updates to policy

Mr. Wickman said updates to the Election and Duties of Board Officers Policy provide for the presentation of the policy for review and discussion at the September meeting followed by a solicitation of interest in serving in an officer position at the October meeting.

It was M/S Gladstern/Thomas to recommend that the Board approve updates to the Election and Duties of Board officers Policy as submitted. The motion was approved by a vote of 5-0 as follows:

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

d. Fiduciary Liability Insurance and Claims Reporting Policy (Action)

Consider possible recommendation to Board on updates to policy

Updates to the Fiduciary Liability Insurance and Claims Reporting Policy reflect the annual process of renewing fiduciary liability insurance and its review by counsel followed by a recommendation to the Board. Due to timing the renewal comes directly to the Board rather than through the Finance and Risk Management Committee, which has been the practice for the past few years.

It was M/S Silberstein/Gladstern to recommend that the Board approve updates to the Fiduciary Liability Insurance and Claims Reporting Policy as submitted. The motion was approved by a vote of 5-0 as follows:

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

e. Portable Electronic Device Policy (Action)

Consider possible recommendation to Board on updates to policy

One modification to the Portable Electronic Device Policy was made to clarify that Board members are to consult with the Retirement Administrator prior to downloading software onto their devices.

It was M/S Thomas/Jones to recommend that the Board approve updates to the Portable Electronic Device Policy as submitted. The motion was approved by a vote of 5-0 as follows:

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

4. Existing Policies – Standard Review without Proposed Updates

a. Governance Committee Charter (Action)

Conduct standard charter review

Charters for the Governance Committee and Investment Committee were presented for the standard 3-year review with no changes recommended by staff.

It was Cooper/Gladstern to recommend that the Board accept the review of the Governance Committee Charter and the Investment Committee Charter. The motion was approved by a vote of 5-0 as follows:

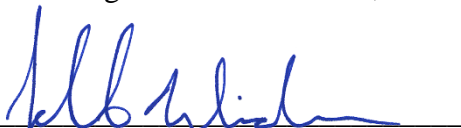
AYES: Cooper, Gladstern, Jones, Silberstein, Thomas
NOES: None
ABSTAIN: None
ABSENT: None

- b. Investment Committee Charter (Action)
Conduct standard charter review

5. Next Committee Meeting

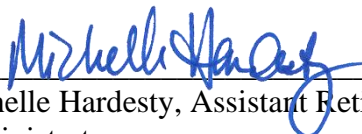
The next Committee meeting will be in April 2021 on a date to be determined once the Board Meeting Calendar for 2021 is approved by the Board in November or December.

There being no further business, Chair Cooper adjourned the meeting at 10:06 a.m.



Jeff Wickman, Retirement Administrator

On behalf of:
Chris Cooper, Committee Chair



Michelle Hardesty, Assistant Retirement Administrator
On behalf of:
Jeff Wickman, Retirement Administrator