

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

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

April 20, 2022 – 9:00 a.m.

This meeting was held via videoconference pursuant to MCERA Board of Retirement Resolution 2021-22/01, which invoked Government Code section 54953(e) for all MCERA Board and standing committee meetings through May 13, 2022. The public was able to listen to and observe the meeting and provide comment through Zoom.

CALL TO ORDER

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

ROLL CALL

PRESENT: Cooper, Gladstern, Jones, Silberstein, Tomlin

ABSENT: None

MINUTES

It was M/S Gladstern/Silberstein to approve the October 25, 2021 Governance Committee Meeting Minutes with changes proposed by Trustee Silberstein as discussed. The motion was approved by a vote of 5-0 as follows:

AYES: Cooper, Gladstern, Jones, Silberstein, Tomlin

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.

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, 2021

Retirement Administrator Jeff Wickman presented proxy voting reports for equity managers as of December 31, 2021. Trustee Silberstein expressed appreciation to staff for the reports. He pointed out that managers who vote MCERA's proxies do not provide the reasons for the proxy votes in their reporting. The reasons for MCERA's proxy votes for the Dimensional Fund Advisors (DFA) and State Street Global Advisors (SSGA) accounts are provided by Institutional Shareholder Services (ISS) in its reports.

Trustee Silberstein suggested asking these managers to provide an explanation for why their votes don't align ISS recommendations. Mr. Wickman said he would reach out to those managers. Chair Cooper asked if other Committee members support the suggestion, and he and Trustee Gladstern voiced support for this course of action.

b. Proxy Voting Reports – Executive Compensation

Review and discuss the ISS executive compensation proxy voting reports for the Dimensional Fund Advisors and State Street Global Advisors portfolios

Mr. Wickman presented proxy voting reports on executive compensation for the DFA and SSGA accounts that are derived from the ISS platform. Trustee Silberstein was appreciative of the focus on executive compensation. He pointed out that proxy votes are following the Public Fund Policy with respect to Boards of Directors being independent of management and having executive compensation be related to company performance. Trustee Gladstern observed the reports provide more information on how MCERA investments work.

2. Governance Risk Report – (ISS) – Jack Ferdon

Review and discuss the ISS quarterly Risk Assessment Report

Jack Ferdon, Senior Associate, Client Service and Consultants, with Institutional Shareholder Services, reviewed the ISS Governance Risk Report for the first quarter of 2022. The report analyzes proxy voting data and holdings for the Dimensional Fund Advisors and State Street Global Advisors portfolios.

The report begins with a list of companies falling in the lower third of the ISS Quality Score. Then votes against management proposals are analyzed across categories; among its managers, MCERA has the highest percentage of these votes. Mr. Ferdon reported that MCERA often voted with shareholder proposals. These included proposals that Apple conduct an audit of employee civil rights, that Costco report on its energy emissions, and

that Disney report on employee pay gaps across race and gender. Mr. Ferdon stated there are increasing numbers of shareholder proposals along these themes.

Mr. Ferdon discussed the three companies with contested meetings during the quarter. Huntsman Corporation prevailed over a dissident who was not able to win a board seat. MCERA supported a dissident who won one board seat at Griffon Corporation. Finally, MCERA supported management nominees who won seats on the Board of Directors at Lee Enterprises, Incorporated.

Trustee Gladstern asked if performance of companies with contested meetings can be tied to their governance. Mr. Wickman replied he would look to add this information for the next Committee meeting. The Administrator had provided the Committee with a list showing which portfolios the companies on the Quality Score list are in. Trustee Silberstein said he appreciates this supplemental report, noting many of the companies are in the SSGA Russell 1000 Index fund. He further pointed out that most annual meetings take place in the spring and will be on the next proxy reports. In conclusion, Mr. Wickman said staff would look to provide details on items voted on and performance information at the next meeting. Chair Cooper agreed this information would be helpful.

3. New Policies

a. MCERA Funding Policy

Consider and discuss a potential standalone Funding Policy for MCERA

Mr. Wickman said he is bringing to the Committee two versions of a proposed standalone MCERA Funding Policy for consideration. The first version had been presented to the Committee in October of 2021 and includes one edit referencing the Experience Study made by the Committee. Following that meeting, at the November 2021 Board meeting further, more lengthy revisions to the draft policy were proposed. This second version adds details from Appendix B of the Actuarial Valuation Report to the policy.

The Administrator recommended that the Committee adopt the original version of the Funding Policy.

It was M/S Gladstern/Jones to recommend that the Board adopt the MCERA Funding Policy presented to the Committee in October 2021 with the changes recommended by the Committee as presented. The motion was approved by a vote of 5-0 as follows:

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

4. Existing Policies – Standard Review with Proposed Updates
a. Policy Regarding Adoption of Actuarial Economic Assumptions (ACTION)
Consider possible recommendation to Board on updates to policy

Mr. Wickman presented the updated Policy Regarding Adoption of Actuarial Economic Assumptions for consideration by the Committee. He explained there were no changes in economic assumptions, just an update to the effective date of the economic assumptions.

It was M/S Silberstein/Jones to adopt updates to the Policy Regarding Adoption of Actuarial Economic Assumptions as presented. The motion was approved by a vote of 5-0 as follows:

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

5. Existing Policies – Standard Review without Proposed Updates

Mr. Wickman stated staff recommends the Committee accept the review of the policies listed below.

It was M/S Silberstein/Jones to accept the review of the policies listed in Agenda Items B.5.a-c below. The motion was approved by a vote of 5-0 as follows:

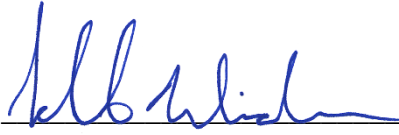
AYES: Cooper, Gladstern, Jones, Silberstein, Tomlin
NOES: None
ABSTAIN: None
ABSENT: None

- a. Policy Regarding Annual Affirmation as to Key Policies (ACTION)
Conduct standard policy review
- b. Statement of Investment Policy Regarding Divestment (ACTION)
Conduct standard policy review
- c. Whistleblower Policy (ACTION)
Conduct standard policy review

6. Next Committee Meeting
Consider and discuss agenda items for future meetings

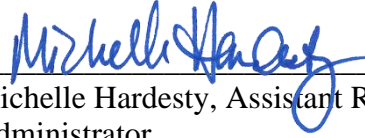
Chair Cooper invited Committee members to suggest topics for future meetings. Mr. Wickman said staff will be considering whether to bring potential changes to the Policy Regarding Compensation Earnable and Pensionable Compensation Determinations to a future meeting for consideration.

There being no further business, Chair Cooper adjourned the meeting at 9:36 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