

**MINUTES**  
**GOVERNANCE COMMITTEE MEETING**  
**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**  
**One McInnis Parkway, 1st Floor**  
**Retirement Board Conference Room**  
**San Rafael, CA**  
**October 4, 2022 – 9:00 a.m.**

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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 October 14, 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 9:01 a.m.

**ROLL CALL**

PRESENT: Cooper, Gladstern, Jones, Silberstein

ABSENT: Tomlin

**MINUTES**

It was M/S Gladstern/Jones to approve the April 20, 2022 Governance Committee Meeting Minutes as submitted. The motion was approved by a vote of 4-0 as follows:

AYES: Cooper, Gladstern, Jones, Silberstein

NOES: None

ABSTAIN: None

ABSENT: Tomlin

**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, 2022

Retirement Administrator Jeff Wickman presented proxy voting reports as of June 30, 2022. At the request of the Committee, managers provided an explanation for proxy votes against Institutional Shareholder Services (ISS) recommendations, with the exception of Fidelity Institutional Asset Management. Chair Cooper invited comments on the proxy votes. Trustee Silberstein pointed out that for the Dimensional Fund Advisors (DFA) and State Street Global Advisors (SSGA) portfolios MCERA is voting against Chief Executive Officer (CEO) pay packages about 23% of the time, which is more than when these managers voted proxies. Observing that CEO pay for large companies has increased over time from 20 to 400 times that of the average worker, he pointed out that CalPERS and CalSTRS are voting against about 50% of CEO pay packages. Chair Cooper asked if those entities have higher standards than ISS and Trustee Silberstein replied that is correct due to a more stringent link between company performance and CEO pay. Asked by Trustee Cooper how this might be implemented, Trustee Silberstein suggested having a quantitative guideline on CEO pay that ISS could apply.

Mr. Wickman asked Jack Ferdon if ISS could add specific guidelines for CEO pay and have that added to the current Public Fund Policy being utilized to vote MCERA's proxies. Mr. Ferdon said that could be done which would mean that MCERA has a customized policy it would vote. Mr. Wickman said a discussion to determine CEO pay guidelines can be agendaized for the spring of 2023 Committee meeting. Chair Cooper requested this item to be added to the April 2023 Committee meeting agenda.

#### **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 votes on executive compensation for the DFA and State Street Global Advisors (SSGA) portfolios. Trustee Silberstein noted the consistency of votes based on the Public Fund Policy and Trustee Gladstern appreciated having the reasons for the votes in these reports.

### **2. Governance Risk Report – Institutional Shareholder Services (ISS) – Jack Ferdon**

Review and discuss the ISS quarterly Risk Assessment Report

Jack Ferdon, Senior Associate, Client Service and Consultants, with Institutional Shareholder Services (ISS), presented the ISS Governance Risk Report as of June 30, 2022. Mr. Ferdon reported 21% of companies rank in the high governance risk quality



score category; as examples, he highlighted Alphabet and Meta, listed due to excessive compensation practices. Mr. Wickman reported which portfolio held each of the stocks in the high risk category.

Mr. Ferdon reported that proxy votes overall were relatively strict in voting against management proposals. There was an increase in dissent on say on pay proposals. Generally proxy votes were supportive of shareholder proposals across all categories, notably those allowing shareholders to call a special meeting.

The reports details eleven proxy contests, of which Mr. Ferdon said the most notable is McDonalds. In this instance an investor took issue with mistreatment of animals and tried to place directors on the Board. The result was his nominees received very low support, including from the Public Fund Policy. Trustee Silberstein said to reduce the confusion of having two separate ballots for shareholder proposals and management proposals, the Securities and Exchange Commission (SEC) is implementing a universal proxy with all candidates listed on one ballot.

Chair Cooper thanked Mr. Ferdon for his report, saying he finds the Governance Risk Report valuable and inviting further comments. Mr. Wickman referenced supplemental reports provided at the request of the Committee on this topic, a summary of contested meetings and the performance of these companies. Trustee Gladstern indicated there may be more information than needed and Mr. Wickman said the data can be paired back as preferred by the Committee.

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

#### a. Conflict of Interest Code (ACTION)

Consider possible recommendation to Board on updates to policy

Mr. Wickman stated changes to the Conflict of Interest Code reflect standardizing the Government Code and administrative corrections. Counsel Dunning explained the corrections have to do with two different thresholds for maximum financial interests, one which increases every two years while the other should have remained the same.

It was M/S Jones/Silberstein to adopt updates to the Conflict of Interest Code as presented. The motion was approved by a vote of 4-0 as follows:

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

#### b. Trustee Due Diligence Policy (ACTION)

Consider possible recommendation to Board on updates to policy

Mr. Wickman reported updates to the Trustee Due Diligence Policy provide more flexibility in executing the Board's due diligence procedures and were developed with Callan's input. In addition, there is more specificity on management presentations to the Investment Committee, including the rotational basis and having private equity managers continue to report annually. Video conferencing has been added as an option

to conducting on-site due diligence. Counsel Dunning noted the role of the Retirement Administrator as Chief Investment Officer is clarified.

Trustee Gladstern said there is value in on-site visits to the managers. In response Mr. Wickman said on site due diligence is not being eliminated, adding that Callan conducts meetings with the managers on a regular basis. Chair Cooper indicated the policy updates were reasonable.

It was M/S Silberstein/Gladstern to approve updates to the Trustee Due Diligence Policy as submitted. The motion was approved by a vote of 4-0 as follows:

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

c. Portable Electronic Device Policy (ACTION)

Consider possible recommendation to Board on updates to policy

Mr. Wickman stated updates to the Portable Electronic Device Policy were developed with input from Counsel Dunning, her partner at Nossaman who specializes in intellectual property law, and MCERA staff.

Trustee Gladstern asked about access to the related County media policy, which Mr. Wickman said he would include with the Portable Electronic Device Policy along with the Annual Affirmation. Counsel Dunning suggested an edit to the policy that referenced that the County's policy may be amended from time to time.

It was M/S Jones/Silberstein to approve updates to the Portable Electronic Device Policy with revisions as discussed above. The motion was approved by a vote of 4-0 as follows:

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

4. Existing Policies – Standard Review without Proposed Updates

Action on the Investment Policy Statement, Item B.4.a below, will be deferred to the Investment Committee.

a. Investment Policy Statement (ACTION)

Conduct standard policy review

It was M/S Gladstern/Jones to accept the review of the policies listed in Agenda Item B.4.b-d below. The motion was approved by a vote of 4-0 as follows:

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

b. Code of Fiduciary Conduct, Ethics and Governance (ACTION)  
Conduct standard policy review

c. Interest Crediting Policy (ACTION)  
Conduct standard policy review

d. Unrestricted Earnings Policy (ACTION)  
Conduct standard policy review

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

Trustee Gladstern asked if MCERA can look into joining other California state pension systems who are engaging with corporations to promote Board diversity. Mr. Wickman replied this can be added to the April 2023 agenda for discussion by the Committee.

There being no further business, Chair Cooper adjourned the meeting at 10:02 a.m.



Chris Cooper  
Governance Committee Chair



Attest: Jeff Wickman  
Retirement Administrator