

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

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

October 25, 2023 – 9:00 a.m.

This meeting was held at the address listed above and, absent technological disruption, was accessible via videoconference and conducted in accordance with Government Code section 54953 and 54954.2.

CALL TO ORDER

Chair Cooper called the meeting to order at 9:03 a.m.

ROLL CALL

PRESENT: Cooper, Gladstern, Jones, Silberstein

ABSENT: None

**CONSIDER ANY BOARD MEMBER REQUESTS TO TELECONFERENCE FOR
“JUST CAUSE” OR “EMERGENCY,” AS SET FORTH ON THIS AGENDA BELOW**

No Committee members requested to teleconference.

MINUTES

It was M/S Gladstern/Silberstein to approve the April 19, 2023 Governance Committee Meeting Minutes as submitted. The motion passed by a vote of 3-0 as follows:

AYES: Cooper, Gladstern, Silberstein

NOES: None

ABSTAIN: None

ABSENT: Jones

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.

Trustee Jones joined the meeting at 9:06 a.m.

B. NEW BUSINESS

1. Proxy Voting

a. Proxy Voting Reports

Proxy voting records of public equity managers for June 30, 2023

Retirement Administrator Jeff Wickman presented equity manager proxy votes as of June 30, 2023. Institutional Shareholder Services (ISS) votes proxies for MCERA's Dimensional Fund Advisors (DFA) and State Street Global Advisors (SSGA) portfolios using the Public Fund Policy guidelines. Trustee Silberstein thanked staff for providing the proxy voting reports. Trustee Silberstein inquired as to why Fidelity Institutional Asset Management (FIAM) has a different format and does not provide reasons for its votes and Mr. Wickman said he will follow up with FIAM. Trustee Silberstein noted that MCERA is voting against directors of boards that are not diverse or do not have an independent majority. He also noted that the new proxy voting policy adopted by MCERA for voting on Chief Executive Officer (CEO) pay issues will be implemented for the next reporting period. Chair Cooper asked if results of the new criteria will be evident in the reporting, and Mr. Wickman indicated they would.

Trustee Silberstein observed that KBI Global Investors (KBIGI) and State Street hold the same company and voted differently for a director position. He asked staff to seek additional information from KBI regarding their vote. Mr. Wickman said he will reach out to KBI on this matter.

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

Proxy voting reports having to do with executive compensation were presented to the Committee. Trustee Silberstein noted that for the DFA portfolio MCERA voted to approve (CEO) compensation proposals 78% of the time. For the State Street Global Advisors portfolio, MCERA voted for CEO compensation proposals 70% of the time. Trustee Silberstein is expecting future MCERA proxy votes against CEO executive pay proposals to be at a higher percentage due to MCERA's new customized proxy voting policy.

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), began by reviewing the ISS Governance Risk Report for the second quarter of 2023. He pointed out that typically the quarter ending June 30 has the most shareholder meetings. The report lists companies on a Quality Score list ranking poorly on four quality measures. These include no disclosure of executive compensation, a lack of independent board directors, no board chairman, and an unequal shareholder structure. Mr. Wickman directed attention to the report at the end of this agenda item providing MCERA's position in each company on the Quality Score list.

The investment manager summary shows MCERA, using the Public Fund Policy to vote the DFA and SSGA portfolios, is voting against nearly one-third of management proposals and FIAM follows with the second highest percentage of these votes. MCERA is voting against management proposals in the routine business category a little over 50% of the time. MCERA's proxy votes reflect a high level of dissent on director items, Mr. Ferdon said. He pointed out that 2023 has been notable because CEO pay levels did not increase as much as in the past. He said the majority of shareholder proposals are related to environmental or social topics, such as climate, diversity or human rights. Mr. Ferdon discussed proxy contests during the quarter, of which MCERA participated in about ten. Mr. Wickman pointed out a report following the Governance Risk Report listing which manager holds the companies with proxy contests.

Mr. Ferdon continued by providing similar information in the Governance Risk Report for the third quarter of 2023. Trustee Gladstern said it is interesting to see the overlap of managers holding the same security, including across large cap and small cap managers. Chair Cooper thanked Mr. Ferdon for his report.

3. Existing Policies – Standard Review with Proposed Updates

a. Credit Card Policy (ACTION)

Consider possible recommendation to Board on updates to policy

Mr. Wickman presented updates to the Credit Card Policy. Current cardholders include the Retirement Administrator and Board Clerk, and two credit cards issued to the accounting department. The changes will reduce one of the accounting department cards and reassign the other card to the MCERA procurement agent. Updates designate the Approving Officer as the Chief Financial Officer and clarify related duties and required documentation. In addition, policy updates provide more clarity around the role of the invoice processor, including providing supporting documentation to the Approving Officer.

It was M/S Gladstern/Jones to recommend that the Board adopt updates to the Credit Card Policy as submitted. The motion passed by a vote of 4-0 as follows:

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

ABSENT: None

b. Investment Policy Statement (ACTION)

Consider possible recommendation to Board on updates to policy

Mr. Wickman presented proposed updates to the Investment Policy Statement which he recommended the Committee refer to the Investment Committee for discussion at its December 6, 2023 meeting. He explained that substantive changes address a suggestion for more clarity around physical rebalancing in the Fund when ranges have pierced established targets. These include specific timing for reviewing portfolio allocations at the end of the month and conducting the necessary rebalancing.

Chair Cooper concurred with the staff recommendation to refer Investment Policy Statement updates to the to the Investment Committee.

It was M/S Silberstein/Gladstern to refer proposed updates to the Investment Policy Statement, as well as alignments with recent Investment Committee action, to the Investment Committee for consideration at its December 6, 2023 meeting. The motion passed by a vote of 4-0 as follows:

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

c. Policy Regarding Adoption of Actuarial Economic Assumptions (ACTION)

Consider possible recommendation to Board on updates to policy

Mr. Wickman presented one update to the Policy Regarding Adoption of Actuarial Economic Assumptions changing the valuation year to align with the June 30, 2022 Actuarial Valuation.

It was M/S Jones/Gladstern to recommend that the Board adopt the update to the Policy Regarding Adoption of Actuarial Economic Assumptions as submitted. The motion was approved by a vote of 4-0 as follows:

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

4. Existing Policies – Standard Review without Proposed Updates

Mr. Wickman presented policies scheduled for standard review, some of which have non-material administrative edits.

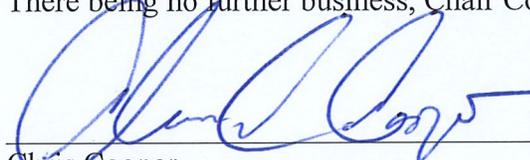
It was M/S Silberstein/Jones to recommend that the Board accept the review of the policies listed below as Agenda Items B.4.a – d. The motion passed by a vote of 4-0 as follows:

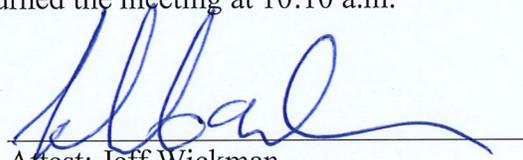
AYES: Cooper, Gladstern, Jones, Silberstein
NOES: None
ABSTAIN: None
ABSENT: None

- a. Portable Electronic Device Policy (ACTION)
Conduct standard policy review
 - b. Governance Committee Charter (ACTION)
Conduct standard charter review
 - c. Investment Committee Charter (ACTION)
Conduct standard charter review
 - d. Fiduciary Liability Insurance and Claims Reporting Policy (ACTION)
Conduct standard policy review
5. Next Committee Meeting
Consider and discuss agenda items for future meetings

Mr. Wickman will follow up on two proxy vote items at the Committee's next meeting in the spring of 2024.

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


Chris Cooper
Governance Committee Chair


Attest: Jeff Wickman
Retirement Administrator