

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

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

November 1, 2017 – 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 9:02 a.m.

ROLL CALL

PRESENT: Cooper, Gladstern, Jones, Silberstein, Thomas

ABSENT: None

MINUTES

It was M/S Gladstern/Silberstein approve the April 25, 2017 Governance Committee Meeting Minutes as submitted.

AYES: Cooper, Gladstern, Jones, Silberstein, Thomas

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 Reports

Proxy voting records of public equity managers for June 30, 2017

Retirement Administrator Jeff Wickman presented proxy voting reports for the first half of 2017 in accordance with the Proxy Voting and Corporate Governance Policy. Mr. Wickman presented the analysis of votes against management proposals and CEO pay for Morgan Stanley, Artisan and Fidelity (FIAM) created by staff. A list of proxy proposals potentially relating to CEO pay for the three managers was also presented. Mr. Wickman explained that staff went back to the managers to ask them to identify which proposals fit the CEO pay category, and those are marked accordingly. This process reflects one of the challenges in analyzing proxy votes.

Proxy voting policies of MCERA's investment managers were presented to the Committee. Using Artisan's policy as an example, Mr. Wickman noted that comparing how manager proxy voting policies align with MCERA's would entail a fairly voluminous review. Trustee Gladstern suggested looking to CalPERS as a resource on proxy voting processes. Trustee Silberstein agreed and noted that international rules differ in every country and are more standardized in the U.S. He advised asking the managers to annotate how their proxy votes differ from ISS and Glass Lewis recommendations.

Based on discussions the Committee recommended that the Board consider directing the Retirement Administrator to send a letter and MCERA's Proxy Voting and Corporate Governance Policy to the equity managers and ask that they compare their policy to MCERA's, identifying where there is alignment and where there are differences. The letter would also include key issues that MCERA is most concerned with, for example composition of corporate Boards and executive pay. Also, the communication would ask managers to compare votes cast during the first six months of 2017 with the recommendations of proxy voting services like ISS and Glass-Lewis. Responses would be brought back to the Committee for review and further consideration.

The Administrator said he will begin working with counsel to craft the letter to managers. There was general agreement that there is not yet sufficient detail to have a discussion about any particular proxy vote.

2. Existing Policies – Proposed Updates

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

Consider potential recommendations to Board to update economic assumptions

Mr. Wickman explained that updates to the Policy Regarding Adoption of Actuarial Economic Assumptions are being presented to align with the Board's recent vote to reduce the discount rate from 7.25% to 7% effective in the June 30, 2017 Actuarial Valuation and the interest crediting rate for member accounts. In addition, the phrasing of the Board's process for providing direction on the valuation being prepared has been streamlined.

It was M/S Gladstern/Silberstein to recommend that the Board adopt updates to the Policy Regarding Adoption of Actuarial Economic Assumptions as submitted.

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

3. Existing Policies and Charters – Standard Review without Proposed Updates

The Administrator said the schedule for reviewing policies includes the standing committee charters. Having reviewed the Fiduciary Liability Insurance and Claims Reporting Policy and committee charters listed below, he and counsel have no proposed changes. He noted that the history section in the policy was deleted as it is redundant.

It was M/S Jones/Gladstern to recommend that the Board accept standard reviews for the policy and charters listed below in Agenda Items B.3.a-d.

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

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

Conduct standard policy review

b. Charter – Investment Committee (Action)

Conduct standard charter review

c. Charter – Governance Committee (Action)

Conduct standard charter review

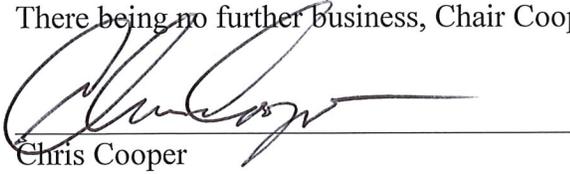
d. Charter – Finance and Risk Management Committee (Action)

Conduct standard charter review

4. Next Committee Meeting

The next Committee meeting will be on April 25, 2018. Mr. Wickman said he will begin collecting the proxy information for that meeting.

There being no further business, Chair Cooper adjourned the meeting at 9:33 a.m.



Chris Cooper
Chairperson



Jeff Wickman
Retirement Administrator