

1 [Urging the San Francisco Employees Retirement System Board to Review Executive
2 Compensation]

3 **Resolution urging the San Francisco Employees Retirement System Board to review**
4 **executive compensation, evaluate best practices on salary compensation, hold a public**
5 **hearing on the matter, and issue a report.**

6
7 WHEREAS, The average U.S. worker's pay has remained stagnant, while from
8 1978 to 2014, Chief Executive Officer ("CEO") pay has increased by 997%; and

9 WHEREAS, In 2014, according to Standard & Poor's (S&P) 500 Index companies, the
10 CEO-to-worker pay ratio was 373 to 1 and the CEO-to-minimum wage worker pay ratio which
11 was 774 to 1; and

12 WHEREAS, In 2016, the 100 companies on the Standard & Poor Index with the highest
13 disparity of CEO-to-worker ratios underperformed the index by an average of 2.9% and the 10
14 companies with the highest disparity ratios underperformed the index by an average of 10.5%;
15 and

16 WHEREAS, Executive compensation (pay plus other benefits such as stock options)
17 and accountability have been the topic of significant discussion as it pertains to being a
18 contributing factor to the 2007 financial crisis; and

19 WHEREAS, One recent and glaring example of the disparity in treatment between top
20 management and non-management workers in the corporate arena can be found in the
21 consequences imposed after the United States Senate Banking Committee conducted a
22 hearing on September 20, 2016, regarding "the widespread illegal practice of secretly opening
23 unauthorized deposit and credit card accounts [by Wells Fargo Bank]," according to the
24 Consumer Financial Protection Bureau; and

1 WHEREAS, While the 5,200 low-level Wells Fargo employees were fired for this
2 practice, the executive of the Wells Fargo retail banking unit responsible for the retail banking
3 unit and the actions of these employees will be retiring with \$124.6 million via stock, options
4 and restricted shares accrued, and the CEO of Wells Fargo Bank earned \$19.3 million in
5 2015; and

6 WHEREAS, Executive mismanagement and excessive compensation impacts
7 shareholders and the value of their stock, pension fund performance, and the confidence of
8 the general public; and

9 WHEREAS, Best practices in corporate accountability link executive compensation to
10 performance as well as racial and gender diversity; and

11 WHEREAS, The increasing racial and gender diversity on corporate boards has been
12 recognized by leading institutional investors to "strengthen the performance of a board of
13 directors and promote the creation of long-term shareholder value"; and

14 WHEREAS, The Dodd-Frank Wall Street Reform and Consumer Protection Act, which
15 was signed into law in 2010, requires transparency from public companies with their
16 shareholders by mandating that advisory votes on compensation, known as Say-on-Pay
17 votes, are held every three years by each company; and

18 WHEREAS, As of January 1, 2017, The Securities and Exchange Commission will
19 require that public companies disclose their pay ratio as it relates to the median income of
20 company employees versus the Corporate Executive Officer's income; and

21 WHEREAS, There is growing momentum by Public Pension Plan proxies and
22 representatives, such as the Ontario Teachers Pension Plan and Florida's public pension
23 fund, to vote against excessive executive compensation with their Say-on-Pay votes; and

24 WHEREAS, The California State Teachers' Retirement System (CalSTRS), the largest
25 teacher fund and the second largest public employee fund in the United States, developed a

1 policy to review their portfolio and established an evaluation process regarding the efficacy of
2 compensation programs; and

3 WHEREAS, The San Francisco Employee's Retirement System ("SFERS") administers
4 two benefit programs for active and retired members; and

5 WHEREAS, The Executive Director and senior staff of SFERS, via the purview of the
6 SFERS board, manage the day-to-day activities of the system including investments; and

7 WHEREAS, SFERS Social Investment Policy states, that "The relationship of the
8 corporation to the communities in which it operates shall be maintained as a good corporate
9 citizen through observing proper environmental standards, supporting the local economic,
10 social and cultural climate"; now therefore, be it

11 RESOLVED, That the San Francisco Board of Supervisors urges SFERS to define
12 "excessive" executive compensation, which should include the comprehensive compensation
13 for any individual and not be limited-to take-home salary, considering the extent to which
14 changes in compensation reflect both performance of the company and the value of the
15 investment holding; and, be it

16 FURTHER RESOLVED, The Board of Supervisors urges that SFERS develop
17 guidelines and/or best practices regarding comprehensive evaluation of executive
18 compensation; and, be it

19 FURTHER RESOLVED, That the Board of Supervisors urges the SFERS to report the
20 pay ratios between CEO-to-worker and CEO-to-minimum wage worker, including sub-
21 contracted workers when available, of companies in the SFERS domestic public equity
22 portfolio, based on SEC-mandated ratios of compensation; and, be it

23 FURTHER RESOLVED, That the report also review racial and gender diversity at the
24 executive level; and, be it

1 FURTHER RESOLVED, That the Board of Supervisors urges SFERS to make this
2 report available and to discuss the report at a public meeting during which SFERS Board
3 members and members of the public are able to discuss the report and the issue of executive
4 compensation no later than December 1, 2017; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors urges SFERS to use its proxy
6 voting power in Say-on-Pay votes to limit excessive compensation for executive management
7 of those companies in the SFERS public equity portfolio companies, using SFERS-
8 determined guidelines on incentives and compensation ratios, and that SFERS staff report
9 those companies in violation of the SFERS guidelines in which SFERS owns shares; and, be
10 it

11 FURTHER RESOLVED, That the Board of Supervisors urges that SFERS staff uses its
12 proxy voting power to promote racial and gender diversity on the corporate board of directors
13 and executives offices.



City and County of San Francisco
Tails
Resolution

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File Number: 161134

Date Passed: March 14, 2017

Resolution urging the San Francisco Employees Retirement System Board to review executive compensation, evaluate best practices on salary compensation, hold a public hearing on the matter, and issue a report.

October 26, 2016 Government Audit and Oversight Committee - CONTINUED TO CALL OF THE CHAIR

December 01, 2016 Government Audit and Oversight Committee - CONTINUED TO CALL OF THE CHAIR

January 19, 2017 Government Audit and Oversight Committee - CONTINUED TO CALL OF THE CHAIR

March 02, 2017 Government Audit and Oversight Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

March 02, 2017 Government Audit and Oversight Committee - RECOMMENDED AS AMENDED

March 14, 2017 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

March 14, 2017 Board of Supervisors - ADOPTED AS AMENDED

Ayes: 11 - Breed, Cohen, Farrell, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Tang and Yee

