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

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.

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

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

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

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

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

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

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

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

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

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

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

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

WHEREAS, The California State Teachers’ Retirement System (CalSTRS), the largest teacher fund and the second largest public employee fund in the United States, developed a policy to review their portfolio and established an evaluation process regarding the efficacy of compensation programs; and

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

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

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

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

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

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

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

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

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

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