

File No. 161134 Committee Item No. 1
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight Date October 26, 2016

Board of Supervisors Meeting Date _____
Cmte Board

- Motion
- Resolution
- Ordinance
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- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

- Referral FYI - 10/21/2016 _____
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Completed by: Erica Major Date October 21, 2016
Completed by: _____ Date _____

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

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

21 WHEREAS, While the 5,200 low-level Wells Fargo employees were fired for this
22 practice, the executive of the Wells Fargo retail banking unit responsible for the retail banking
23 unit and the actions of these employees will be retiring with \$124.6 million via stock, options
24 and restricted shares accrued, and the CEO of Wells Fargo Bank earned \$19.3 million in
25 2015; and

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

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

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

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

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

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

20 WHEREAS, The San Francisco Employees Retirement System ("SFERS") administers
21 two benefit programs for active and retired members; and

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

24 WHEREAS, SFERS Social Investment Policy states, that "The relationship of the
25 corporation to the communities in which it operates shall be maintained as a good corporate

1 citizen through observing proper environmental standards, supporting the local economic,
2 social and cultural climate;" and

3 WHEREAS, The increasing racial and gender diversity on corporate boards has been
4 recognized by leading institutional investors such as Blackrock, and the Business Roundtable
5 as essential to "[S]trengthen the performance of a board of directors and promote the creation
6 of long-term shareholder value;" now therefore, be it

7 RESOLVED, That the San Francisco Board of Supervisors urges SFERS to define
8 "excessive" executive compensation, which should include the total summary compensation
9 for any individual and not be limited to salary alone; and, be it

10 FURTHER RESOLVED, That the Board of Supervisors urges SFERS to develop
11 guidelines and/or best practices regarding comprehensive evaluation of executive
12 compensation and include a review of the pay ratios between CEO-to-worker and CEO-to-
13 minimum wage worker of public companies within the current SFERS portfolio as well as a
14 review of racial and gender diversity; and, be it

15 FURTHER RESOLVED, That the Board of Supervisors urges SFERS to make this
16 report available and to discuss the report at a public meeting during which SFERS Board
17 members and members of the public are able to discuss the issue of executive compensation;
18 and, be it

19 FURTHER RESOLVED, That the Board of Supervisors urges SFERS to have its
20 investment staff work with the Institutional Shareholder Services, consultants, and others to
21 review Proxy Voting Policies and encourage proxy power in voting against any Board of
22 Directors of companies in which there are excessive pay increases for executives and that the
23 SFERS staff provide a list to the Board of Supervisors of companies that are in violation of
24 the SFERS guidelines on excessive pay for top executives of companies in which SFERS
25 owns shares.

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Jay Huish, Executive Director, Retirement Board

FROM: Erica Major, Assistant Clerk, Government Audit and Oversight Committee,
Board of Supervisors

DATE: October 21, 2016

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Kim on October 18, 2016:

File No. 161134

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.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Darlene Armanino

RECEIVED
IN BOARD
10/18/16 @ 5:22pm
AS

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):

Kim

Subject:

Resolution Urging San Francisco Employees Retirement System Board to Review Executive Compensation

The text is listed below or attached:

Please see attached

Signature of Sponsoring Supervisor: 

For Clerk's Use Only: