

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.**

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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  
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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 total summary compensation  
13 for any individual and not be limited-to actual take-home pay; and, be it

14 FURTHER RESOLVED, The Board of Supervisors urges that SFERS to develop  
15 guidelines and/or best practices regarding comprehensive evaluation of executive  
16 compensation and include a review of the pay ratios between CEO-to-worker and CEO-to-  
17 minimum wage worker, including sub-contracted workers of publically traded companies  
18 within the current SFERS portfolio as well as a review of racial and gender diversity; and, be it

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

23 FURTHER RESOLVED, That SFERS use its proxy power in voting against the Board  
24 of Directors (of publically traded companies) when reviewing excessive pay packages for  
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1 executives and that SFERS staff lists companies in violation of the SFERS guide lines on  
2 excessive pay for top executives of companies in which SFERS owns shares; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors urges that SFERS staff uses its  
4 proxy power in voting to promote racial and gender diversity within corporate board of  
5 directors and executives officers.

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