



SFERS

San Francisco Employees' Retirement System

City and County of San Francisco Employees' Retirement System

RETIREMENT BOARD MEETING

MINUTES

Tuesday, November 10, 2020

1:00 p.m.

Please take notice that the Retirement Board will begin its meeting with a closed session item. The Board will take public comment before going into closed session, limited to the topic of the closed session item. The Board will return to open session and begin the public portion of the meeting with General Public Comment, not earlier than 2:00 PM.

Meeting Held by Teleconference Pursuant to the Governor's Executive Order N-29-20 and the Fifth Supplement to Mayoral Proclamation Declaring the Existence of a Local Emergency

During the Coronavirus Disease (COVID-19) emergency, the Retirement System's regular meeting room, 1145 Market Street, 6th Floor, is closed. Commissioners and Retirement Staff will convene remotely. The public is encouraged to submit comments in advance of the meeting either by: (1) email to sferspubliccomment@sfgov.org or (2) recording your public comment on the Retirement System's public comment line 415-487-7020. Public comments submitted by 5:00 p.m. PST, Friday, November 6, 2020 will be included in the record.

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Leona Bridges, President

Al Casciato, Vice President

Carmen Chu

Joseph Driscoll

Scott Heldfond

Ahsha Safaí

Brian Stansbury

Jay Huish, Executive Director

Retirement Board Meeting

PUBLIC COMMENT CALL-IN: 415-655-0001

Access Code: 146 133 7250

Providing Public Comment

- Public comment will be available on each item on this agenda. Each speaker will be allowed 2 minutes to speak. Comments or opportunities to speak during the public comment period are available via phone call by calling (415) 655-0001, access code [146 133 7250], then '#' and then '#' again.
- When connected you will hear the meeting discussions, but you will be muted and in listening mode only.
- When your item of interest comes up, dial *3 to be added to the speaker line. Best practices are to call from a quiet location, speak clearly and slowly, and turn down your television, radio or computer.

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Materials accompanying the agenda are available for public inspection and copying at SFERS, 1145 Market Street, 7th Floor. For additional information, please contact Darlene Armanino, Executive Assistant, at (415) 487-7012.

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(Chapter 67 of the San Francisco Administrative Code)

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Sunshine Ordinance Task Force
City Hall
1 Dr Carlton B. Goodlett Place, Room 244
San Francisco, CA 94103-4689
(415) 554-7724
by fax at (415) 554-7854
or by email at sotf@sfgov.org

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OPENING CALENDAR

OPENING CALENDAR

1. **Roll Call**

Commissioner Leona Bridges	1:05 PM
Commissioner Al Casciato	1:05 PM
Commissioner Carmen Chu	1:05 PM
Commissioner Joseph Driscoll	1:15 PM
Commissioner Scott Heldfond	Absent
Commissioner Ahsha Safai	Absent
Commissioner Brian Stansbury	1:05 PM

2. **Communications**

Announcement regarding instructions to follow for the teleconference Retirement Board Meeting.

3. **111020-03 Action Item CLOSED SESSION**

President Bridges announced that the Retirement Board would be going into Closed Session.

President Bridges called for public comment on the Board going into Closed Session.

There were no comments and public comment was closed.

The Board entered Closed Session at 1:20 PM

The following individuals were present for the closed session re Possible Recommendation and/or Action on Sale and Purchase of Particular, Specific Pension Fund Investment under California Government Code Section 54956.81: President Leona Bridges; Jay Huish, Executive Director; Darlene Armanino, Board Secretary.

The following individuals participated in the closed session re Possible Recommendation and/or Action on Sale and Purchase of Particular, Specific Pension Fund Investment under California Government Code Section 54956.81 via teleconference: Commissioners Casciato, Chu, Driscoll, and Stansbury; Caryn Bortnick, Deputy Executive Director; William Coaker, CIO; Anna Langs, Managing Director, Asset Allocation, Risk Management and Innovative Solutions; David Francl, Managing Director, Absolute Returns; Kurt Braitberg, Managing Director, Public Markets; Tanya Kemp, Managing Director, Private Markets; Han Pham, Director, Public Equity; Chris Chow, Director, Real Assets, Andrew Collins, Director, ESG; Justin Lo, Vicki Owens, Eunice McHugh and Alo Martins, Senior Portfolio Managers; Patrick Li, Chris Terrazzano, Cynthia Wong and Kien Trinh, Adrienne von Schulthess, Dennis Esselsagoe, Investment Analysts; Karen Perez, Investment Management Assistant; Ba Do, Investment Operations Manager; Robert Bryan, Deputy City Attorney; Allan Martin, NEPC; Anita Ng, Marc Cardillo and Kelly Jensen, Cambridge.

The Board ended Closed Session at 1:55 PM

The Board returned to Open Session at 2:10 PM

President Bridges called for public comment.

There were no comments and public comment was closed.

Action: Moved by Commissioner Chu, seconded by Commissioner Driscoll, not to disclose any discussions held in Closed Sessions under San Francisco Administrative Code Section 67.12(a).

Ayes: Commissioners Bridges, Casciato, Chu, Driscoll, Stansbury

Absent: Commissioner Heldfond, Safaí

4. 111020-04 General Public Comment – Not earlier than 2:00 PM

President Bridges called for General Public Comment.

Email from John Stenson for General Public Comment:

A FEW YEARS AGO WHEN INVESTING IN HEDGE FUNDS WAS THE SUBJECT OF DEBATE. YOUR CHIEF INVESTMENT OFFICER AND ALL THE BOARD MEMBERS EXCEPT ONE TOLD US HEDGE FUNDS WOULD BE A GOOD INVESTMENT TO HAVE FOR A DOWN MARKET.

THE MONTH OF MARCH 2020 WAS A BIG DOWN MARKET MONTH AND YOUR HEDGE FUND INVESTMENTS HAD A LOSS OF MORE THAN TEN PERCENT, WHAT HAPPENED TO DOWN MARKET PROTECTION?

I WOULD ALSO LIKE YOU TO KNOW THAT YOU BOARD MEMBERS ARE DOING A VERY BAD JOB OF KEEPING OUR MEMBERS INFORMED ABOUT HOW YOU ARE INVESTING THEIR MONEY.

A FEW REFORMS THAT I WOULD LIKE YOU TO MAKE ARE.

FIRST--START THE PUBLIC SECTION OF YOUR MEETING ON TIME, YOU ARE ALWAYS 30 TO 60 MINUTES LATE!

SECOND--START KEEPING OUR MEMBERS INFORMED BY ANSWERING QUESTIONS THAT OUR MEMBERS HAVE.

THIRD--PUT AN END TO YOUR BACKROOM CLOSED SESSION MEETINGS, LET THE SUNLIGHT SHINE ON ALL OF YOUR MEETING NOT JUST PART OF IT.

WITH BEST REGARDS FROM JOHN STENSON A FOURTY SIX YEAR MEMBER OF SAN FRANCISCO PENSION FUND.

There were no additional comments and General Public Comment was closed.

5. 111020-05 Action Item Approval of the Minutes of the October 14, 2020 Meeting

Documents provided to the Retirement Board prior to the current meeting: Draft Minutes of the October 14, 2020 Retirement Board Meeting.

President Bridges called for public comment.

There were no comments and public comment was closed.

Action: Moved by Commissioner Chu, seconded by Commissioner Casciato, to approve Minutes of the October 14, 2020 Retirement Board Meeting.

Ayes: Commissioners Bridges, Casciato, Chu, Driscoll, Stansbury

Absent: Commissioner Heldfond, Safaí

CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Retirement Board. There will be no separate discussion of these items unless a member of the Retirement Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

6. 111020-06	Action Item	Consent Calendar
111020-06b	Action Item	Voluntary Retirement Board List No. 05-20
111020-06c	Action Item	Decisions of Hearing Officers
Edwin M. Balli (Deceased) Effective Date: PERS	8304 Deputy Sheriff Sheriff	Cal-PERS - Disability Retirement Certified
Thomas J. Cunnane Effective Date: 01/03/18	Q4 Police Officer III Police	Industrial Disability Retirement/Stip Granted
Mauricio F. Garcia Effective Date: 11/08/19	9163 Transit Operator MTA	Ordinary Disability Retirement/Stip Granted
Cristobal R. Guajardo Jr Effective Date: 04/01/19	H2 Firefighter Fire	Industrial Disability Retirement/Stip Granted

Adriana V. Harden Effective Date: PERS	8444 Deputy Probation Officer Adult Probation	Cal-PERS - Disability Retirement Certified
Scott K. Hellesto Effective Date: 08/18/19	H3 EMT/Paramedic/Firefighter Fire	Industrial Disability Retirement/Stip Granted
Dolores Johnson Effective Date: 12/01/16	7372 Stationary Engineer, Sewage Plant PUC	Ordinary Disability Retirement/Stip Granted
Susannah Prescott Effective Date: 01/01/19	9163 Transit Operator MTA	Ordinary Disability Retirement Granted (VR – 02/01/19)
Silvia Sobal Effective Date: 06/15/18	2320 Registered Nurse DPH	Ordinary Disability Retirement/Stip Granted
111020-06d	Action Item	Approve Application for Dependent Adult Child Continuation Benefits by James Nutley, Son of Deceased Member, James T. Nutley, Jr.
111020-06e	Action Item	Travel Requests

Request approval for Commissioner Carmen Chu to attend Wharton Executive Education's Investment Strategies and Portfolio Management, November 16-20, 2020, Virtual Program.

111020-06f	Discussion Item	Retirement Board Member Reports and Comments
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Action: This is a discussion only item.

Documents provided to the Retirement Board prior to the current meeting: Voluntary Retirement Board List, Decisions, Travel Request.

President Bridges called for public comment.

There were no comments and public comment was closed.

Action: Moved by Commissioner Casciato, seconded by Commissioner Driscoll, to approve Consent Calendar.

Ayes: Commissioners Bridges, Casciato, Chu, Driscoll

Absent: Commissioner Heldfond, Safaí, Stansbury

INVESTMENT CALENDAR

7. 111020-07 Action Item Approval of Recommended Strategic Asset Allocation

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum; Results of SFERS Retirement Board Risk Tolerance Questionnaire; Staff's Presentation "Recommendation for New Strategic Asset Allocation, NEPC's Asset-Liability Study for SFERS

William Coaker, Chief Investment Officer; Anna Langs, Managing Director, Asset Allocation, Risk Management & Innovative Solutions; Allan Martin, NEPC, presented an oral and written report on this item.

Staff and Consultant presented the results of SFERS' Board Risk Tolerance Questionnaire, as well as Staff's review of SFERS' current and proposed Strategic Asset Allocation mixes and an updated Asset-Liability Study prepared by NEPC for an additional four proposed asset class mixes.

Staff reported that after receiving Board feedback on alternative strategic asset allocation proposals at the February 2020 and September 2020 Board meetings and the July 2020 and October 2020 Investment Committee meetings, Staff proposed a revised asset allocation policy (Mix 8) with two alternate variations (Options 1 and 2).

Staff reported that the recommended Mix 8 asset allocation was as follows:

- Public Equity 37% (+6%)
- Private Equity 23% (+5%)
- Real Assets 10% (-7%)
- Private Credit 10% (0%)
- Public Fixed Income 13% (+4%)
- Absolute Return 10% (-5%)

Staff reported that SFERS has undergone significant changes to its Strategic Asset Allocation in recent years. Public Equity has declined from 47% in 2011 to 31% today. Staff reported that, over the past 9 years, Public Fixed Income has been reduced from 25% to 9%, Private Equity has been increased from 16% to 18% and Real Assets from 12% to 17%. Staff reported that in 2014, Absolute Return was added at an initial weight of 5% and its current target allocation is 15%. Also, in 2014, Real Assets was expanded from Real Estate to include Natural Resources. Staff reported that in 2017, Private Credit was added at a weight of 10% and in 2011, SFERS allocation to Private Markets totaled 28%. The allocation to Private Markets is now 45%.

The Board reviewed and discussed the material and engaged in a question and answer session with staff.

President Bridges called for public comment.

There were no comments and public comment was closed.

Action: Moved by Commissioner Stansbury, seconded by Commissioner Driscoll, to adopt Staff's recommended Mix 8 as SFERS Strategic Asset Allocation.

Ayes: Commissioners Bridges, Casciato, Chu, Driscoll, Stansbury

Absent: Commissioner Heldfond, Safaí

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| 8. | 111020-08 | Action Item | Approval of Revised "Exhibit B - Statement of Objectives, Guidelines and Procedures" and "Appendix C – Exposure Management Including Rebalancing" for Parametric Portfolio Associates' Cash Securitization & Rebalancing Overlay Services |
|----|-----------|--------------------|--|

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum; Staff's Memorandum discussing proposed changes to the Investment Guidelines; NEPC's comments on the proposed changes to Investment Guidelines with Parametric; Redline version of Exhibit B and Appendix C of the Investment Management Agreement with Parametric Portfolio Associates; Staff's June 2017 Memorandum recommending Parametric Portfolio Associates as Cash Securitization & Rebalancing Overlay Manager; and NEPC's May 2017 Memorandum "Parametric Policy Implementation Overlay Service"

Kurt Braitberg, Managing Director, Public Markets, presented an oral and written report on this item.

Mr. Braitberg recommended two amendments to existing investment guidelines with Parametric:

1. Adding centrally cleared or bilateral over-the-counter ("OTC") contracts including, but not limited to, swaps, options, and forwards to the list of eligible instruments.
2. Aligning target and allowable ranges for asset class exposures with those set in SFERS Investment Policy Statement.

The Board reviewed and discussed the material and engaged in a question and answer session with staff.

President Bridges called for public comment.

There were no comments and public comment was closed.

Action: Moved by Commissioner Driscoll, seconded by Commissioner Casciato, to approve the recommended changes to investment guidelines with Parametric Portfolio Associates for Cash

Securitization & Rebalancing Overlay Services to Exhibit B - Statement of Objectives, Guidelines and Procedures and Appendix C – Exposure Maintenance Including Rebalancing.

Ayes: Commissioners Bridges, Casciato, Chu, Driscoll, Stansbury
Absent: Commissioner Heldfond, Safaí

9. 111020-09 Discussion Item Chief Investment Officer Report

Documents provided to the Retirement Board prior to the current meeting: CIO Report

CIO Coaker reported that SFERS investments lost -0.37% in October. Public Equity declined -1.44%, but that compared favorably to the MSCI ACWI and S&P 500 which lost -2.41% and -2.66% during the month. He reported that SFERS Fixed Income portfolio edged down -0.12% in October, as an improving economy pushed yields up and prices down. SFERS Private Credit portfolio recorded positive returns of 1.02% in October, while SFERS Private Equity and Real Assets investments gained 0.44% and 0.12%, respectively.

Closed Session Disclosures:

Altaris Health Partners V, L.P.

At its meeting on December 11, 2019, the Retirement Board approved in closed session an investment of up to \$100 million in Altaris Health Partners V, L.P. The investment was approved by the following vote:

Ayes: Commissioners Casciato, Chu, Driscoll, Heldfond, Stansbury
Absent: Commissioners Bridges, Safaí

After SFERS' commitment of \$50 million to Altaris Health Partners V, L.P. closed on April 15, 2020 (previously disclosed), SFERS' additional commitment of \$25 million closed on October 28, 2020. Including this second close, the total SFERS' commitment to Altaris Health Partners V, L.P. is \$75 million.

The investment is classified as a mid-market buyout investment within SFERS' Private Equity portfolio and is SFERS' first investment with Altaris Capital Partners.

More information about the firm is available at altariscap.com.

GGV Capital VIII L.P., GGV Capital VIII Plus L.P., GGV Discovery III, L.P.

At its meeting on October 14, 2020, the Retirement Board approved in closed session three investments of up to \$80 million in aggregate in GGV Capital VIII L.P., GGV Capital VIII Plus L.P., and GGV Discovery III, L.P. The investments were approved by the following vote:

Ayes: Commissioners Bridges, Casciato, Chu, Driscoll, Stansbury
Absent: Commissioners Heldfond, Safaí

SFERS' investment of (1) \$48 million in GGV Capital VIII L.P., (2) \$20 million to GGV Capital VIII Plus L.P; and (3) \$20 million in GGV Discover III, L.P. closed on October 30, 2020.

Within SFERS' private equity portfolio, the Funds are classified as

GGV Capital VIII L.P.	Venture Capital – Multi-Stage Fund
GGV Capital VIII Plus L.P.	Venture Capital – Late Stage Fund
GGV Discover III, L.P.	Venture Capital – Early Stage Fund

These three Funds are SFERS' eighth, ninth and tenth investments with GGV Capital.

More information about GGV Capital is available on <https://www.ggvc.com>.

CIO Coaker reported one correction to the GGV Capital disclosure amount of SFERS' investment in paragraph 3: correction to (2) \$12 Million to GGV Capital VIII Plus L.P.

CIO Coaker reminded the Board that an Investment Committee Meeting is scheduled for Wednesday, November 18th, at which SFERS will host three special guest speakers from 2:00 pm to 4:30 pm. All three guest speakers are existing managers for SFERS:

- Mr. Cian Cotter, Managing Director at Insight Partners. Insight, founded in 1995, invests in growth-stage technology, software and internet businesses, including growth equity, capital for M&A, take-privates, pre-IPO rounds, and recapitalizations.
- Mr. David Goel, Managing General Partner and Co-Founder of Matrix Capital Management. Matrix, founded in 1999, invests in leaders in innovation across multiple sectors, primarily in technology, software, cloud computing, media, communications, and the life sciences.
- Mr. Carl Gordon, Founding Partner and Head of Global Private Equity of OrbiMed Advisors. OrbiMed, founded in 2000, is a life sciences specialist. The firm invests globally and includes public and private equity as well as health care royalties. OrbiMed invests primarily in biotech, from public equity to early and late stage venture.

President Bridges called for public comment.

PUBLIC COMMENT received via email from Claire Zvanski, past president Retired Employees of the City and County of San Francisco (RECCSF).

During the tenure of Commissioner Herb Meiberger who also served as the chair of the Investment Committee, investments in science, technology and innovation were usually on the agenda. I recall attending a few meetings and witnessed a presentation from the men who made the cover of Time Magazine with their "Cold

Fusion" success. Other meetings brought representatives of alternate power providers and natural resources investment organizations. Representatives from Technology were scheduled, as well. It became virtually impossible for Investment Committee meetings to be scheduled. But, after such notables presented before this committee, not to mention meetings with representatives from China (2014), it became more difficult to schedule IC meetings. We are thrilled to discover that the SFERS board will once again turn its attention to science, technology and innovation and try to catch up with the investment world in these areas.

There were no additional comments and public comment was closed.

Action: This is a discussion only item.

DEFERRED COMPENSATION PLAN CALENDAR

10. 111020-10 Discussion Item Deferred Compensation Manager Report

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum; SFDCP Manager Memorandum for Q3 2020; Quarterly Activity Report as of September 30, 2020; National Retirement Security Month Materials Summary; 2021 Contribution Limits Table; and Voya Website - Spanish Translation Feature

Steve Moy, Deferred Compensation Program Manager, presented a quarterly report on the SFDCP covering four key areas:

- Investments
- Marketing/Communications
- Operations
- Recordkeeper

President Bridges called for public comment.

There were no comments and public comment was closed.

Action: This is a discussion only item.

ADMINISTRATION CALENDAR

11. 111020-11 Discussion Item Travel Expense Report for the Quarter Ended September 30, 2020

Documents provided to the Retirement Board prior to the current meeting: Travel Expense Report for the Quarter Ended September 30, 2020

Jay Huish, Executive Director, presented an oral and written report on this item.

President Bridges called for public comment.

There were no comments and public comment was closed.

Action: This is a discussion only item.

12. 111020-12 Discussion Item Executive Director's Report

Documents provided to the Retirement Board prior to the current meeting: Executive Director's Report

Administrative Update:

- Pension & Investments article: *DOL walks back ESG language in final rule*
- Deferred Compensation Committee meeting: November 18th at 10:00 AM
- Investment Committee meeting: November 18th at 2:00 PM
- Operations Oversight Committee meeting: December 1st at 10:00 AM

Attachments for Informational Purposes:

- Pension & Investments article: *DOL walks back ESG language in final rule*
- Retirement Board Forward Calendar for November 2020 to November 2021
- Request for Proposal in Progress Blackout Period
- *Public Retirement Conferences and Training Programs for SFERS Trustees – Nossaman LLP*

President Bridges called for public comment.

There were no comments and public comment was closed.

Action: This is a discussion only item.

13. 111020-13 Discussion Item Retirement Board Member Good of the Order

Retirement Board members may request that any matter be calendared at a future meeting. All such requests shall be calendared in a reasonable time. (Board Operations Policy ¶24.) The Board will not discuss any items requested to be calendared until a subsequent meeting when the matter is included on the agenda with the required public notice.

Commissioner Driscoll announced a Governance Committee Meeting would be scheduled shortly.

President Bridges reported her recent attendance at the Nossaman Seminar and commented that they did a very good job on the governance portion of the seminar and expressed her desire for a refresher course for the entire Board.

President Bridges called for public comment.

There were no comments and public comment was closed.

Action: This is a discussion only item.

14. 111020-14

Adjournment

Having no further business, the Board adjourned the meeting at 5:07 PM

Respectfully submitted,



Jay Huish, Executive Director