



SFERS

San Francisco Employees' Retirement System

City and County of San Francisco Employees' Retirement System

RETIREMENT BOARD MEETING

MINUTES

Wednesday, April 14, 2021

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 3:30 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 Retirement Board meeting will be streamed live on SFGovTV (www.sfgovtv.org/sfersLIVE) and the public will be able to provide public comment during the meeting by live call-in. The public may listen to the meeting "live" by dialing **415-655-0001** and using Access Code: **187 600 1995** and will be able to provide public comment during the meeting by live call-in. 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. Written public comments are limited to 150 words or less [Admin. Code § 67.16]

Public comments submitted by 5:00 p.m. PST, Monday, April 12, 2021 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

Joseph Driscoll

Scott Heldfond

Ahsha Safaí

Brian Stansbury

Jay Huish, Executive Director

Retirement Board Meeting

PUBLIC COMMENT CALL-IN: 415-655-0001

Access Code: 187 600 1995

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 [**187 600 1995**], 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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The San Francisco Employees' Retirement System is wheelchair accessible. Accessible seating is available for persons with disabilities. To obtain a disability-related modification or accommodation, including large print agendas, American Sign Language interpreters, FM sound amplification system and auxiliary aids or services, please contact Darlene Armanino at (415) 487-7012 at least two (2) business days before the meeting.

There is accessible parking in the vicinity of 1145 Market Street at Civic Center Plaza. Accessible **MUNI** lines are available at the corner of Market Street and 8th Street. The closest accessible **MUNI /BART** station is Civic Center Station.

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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The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Know Your Rights Under the Sunshine Ordinance

(Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. FOR MORE INFORMATION ON YOUR RIGHTS UNDER THE SUNSHINE ORDINANCE OR TO REPORT A VIOLATION OF THE ORDINANCE, CONTACT THE SUNSHINE ORDINANCE TASK FORCE.

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

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, <http://www.sfgov.org/sunshine/>

Any materials distributed to the Retirement Board (or committee) within 72 hours of the meeting or after distribution of the agenda packet to Board (or committee) members are available for public inspection at SFERS, 1145 Market Street, 7th Floor, during regular office hours.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (San Francisco Campaign and Governmental Conduct Code sections 2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 25 Van Ness Avenue, Suite 220, San Francisco, CA 94103, telephone (415) 252-3100, fax (415) 252-3112 and web site: www.sfgov.org/ethics

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OPENING CALENDAR

1. **Roll Call**
- | | |
|------------------------------|---------|
| Commissioner Leona Bridges | 1:17 PM |
| Commissioner Al Casciato | 1:17 PM |
| Commissioner Joseph Driscoll | 1:17 PM |
| Commissioner Heldfond | 1:17 PM |
| Commissioner Ahsha Safaí | 2:34 PM |
| Commissioner Stansbury | 1:17 PM |
2. **Communications**
- Announcement regarding instructions to follow for the teleconference Retirement Board Meeting.

3. **041421-03 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 callers and public comment was closed.

The Board entered closed session at 1:20 PM

(a) The following individuals were present for the closed session to consider the employment of Executive Director: President Leona Bridges, Jay Huish, Executive Director.

The following individuals participated in the closed session to consider the employment of Executive Director via teleconference: Commissioners Casciato, Driscoll, Heldfond, Safaí and Stansbury.

(b) 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, Driscoll, Heldfond, Safaí, and Stansbury; William Coaker, CIO; Caryn Bortnick, Deputy Executive Director; Anna Langs, Managing Director, Asset Allocation, Risk Management and Innovative Solutions; Kurt Braitberg, Managing Director, Public Markets; Tanya Kemp, Managing Director, Private Markets; Han Pham, Director, Public Equity; David Francl, Absolute Return Managing Director; Chris Chow, Director, Real Assets, Andrew Collins, Director, ESG; Justin Lo, Alo Martins, and Eunice McHugh, Senior Portfolio Managers; Adrienne von Schulthess, Chris Terrazzano, Cynthia Wong, Patrick Li, Kien Trinh, Brady Jewett, Jiada Tu, and Dennis Esselsagoe,

Investment Analysts; Karen Perez, Investment Management Assistant; Ba Do, Investment Operations Manager; Robert Bryan, Deputy City Attorney; Allan Martin, NEPC; Anita Ng, Kelly Jensen, Jacquelyn Klehm, Scott Martin, Bob Lang, Richard Grimm, Anelise Hohl, and Lauren McNerney, Cambridge.

The Closed Session ended at 3:37 PM

The Board returned to Open Session at 3:48 PM

President Bridges called for public comment.

There were no callers and public comment was closed.

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

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

4. 041421-04

General Public Comment – Not earlier than 3:30 PM

President Bridges called for General Public Comment.

Email received from John Stenson to be included in General Public Comment:

AT YOUR SFERS MARCH MEETING YOUR EXECUTIVE DIRECTOR MR. HUIH DID NOT READ MY PUBLIC COMMENT HE TOLD YOU HE PUT IT IN THE MINUTES.

CENSORSHIP OF PUBLIC COMMENT IS A VIOLATION OF THE SAN FRANCISCO SUNSHINE ORDINANCE. CENSORSHIP OF PUBLIC COMMENT WILL ALSO LEAD TO CORRUPTION, AND YOU SHOULD PUT A STOP TO IT.

YOU SHOULD ALSO PUT AN END TO YOUR CLOSED DOOR MEETINGS THE PUBLIC SHOULD BE ABLE TO OBSERVE ALL OF YOUR MEETING, NOT JUST PART OF IT.

WHEN IT COMES TO INVESTING , LIKE CALPERS YOU SHOULD DIVEST FROM HEDGE FUNDS, AND YOU SHOULD INFORM OUR MEMBERS HOW MUCH MONEY OUR PENSION FUND HAS PAID IN HEDGE FUND MANAGEMENT AND PERFORMANCE FEES FOR THE PAST THREE YEARS.

WITH BEST REGARDS FROM JOHN STENSON, A 46 YEAR MEMBER OF SFERS

Jeremy Pollack, active member of Local 21 and Vice Chair of Retirement Oversight Committee requested that Board publish video and transcript of Committee meetings through SFGOVTV.

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

**5. 041431-05 Action Item 2020 Review of Economic Assumptions: Discount Rate
(THIS ITEM WAS CONTINUED FROM THE MARCH 10, 2021
RETIREMENT BOARD MEETING)**

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Cheiron's Updated Discount Rate Recommendation dated March 10, 2021.

Janet Brazelton, Actuarial Services Coordinator; Bill Hallmark, Anne Harper, presented an oral and written report on this item.

Ms. Brazelton indicated that the Retirement Board reviews the long-term economic assumptions annually in accordance with its Monitoring and Reporting Policy. She reported that Cheiron presented the 2020 Economic Assumptions Review at the Board's December 9, 2020 meeting. At that meeting, the Board adopted new demographic, price inflation, and wage inflation assumptions. Ms. Brazelton reported that the adoption of the discount rate assumption was continued to this meeting for further discussion.

Mr. Hallmark reported that in the December CIO Report, CIO Coaker reported that NEPC had updated its capital market assumptions in December 2020. Mr. Hallmark indicated that capital market assumptions are an important component of the analysis leading to a discount rate decision. He reported that NEPC's 10-year expected return for the Board's new asset allocation declined from 7.5% to 6.9%, and their 30-year expected return declined from 8.1% to 7.8%.

Mr. Hallmark indicated that, with SFERS aging pension plan, the Board should take steps to position itself to increase funding security of plan members by increasing the probability of achieving the long-term assumed investment return. He indicated that maturing plans cannot take the same risks as younger plans. Mr. Hallmark stated that, based on this on-going concern combined with the decline in NEPC's capital market assumptions, Cheiron has revised its previous recommendation for the Board to consider either 7.4% or 7.3% for its return assumption to a new recommendation that the Board consider reducing its discount rate from 7.4% to 7.3% effective July 1, 2020.

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

Commissioner Casciato asked what our current funding status was. Mr. Hallmark responded that for the 2020 valuation report which the Board will be receiving soon, he estimates that SFERS will be 90.5% funded. He reminded the Board that the July 1, 2020 valuation report does not take into account investment returns so far this year.

Anne Harper commented that the market value of assets is at 90.2% as of July 1, 2020 which she commented was not much of a difference.

In discussion, it was the consensus of the Board to continue this item to a future Board meeting.

President Bridges continued this item to a Special Board Meeting to be scheduled before the next regular Board meeting on May 12, 2021.

President Bridges called for public comment.

Jeremy Pollack, active member of Local 21 and Vice Chair of Retirement Oversight Committee commented on impacts to employee contribution rates after cost sharing.

There were no additional callers and public comment was closed.

Action: Moved by Commissioner Heldfond, seconded by Commissioner Casciato to continue this item to a Special Board meeting to be scheduled before the next regular Retirement Board meeting.

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

6. 041421-06 Action Item Approval of the Minutes of the March 10, 2021 Meeting

Documents provided to the Retirement Board prior to the current meeting: Draft Minutes of the March 10, 2021 Retirement Board Meeting.

President Bridges called for public comment.

There were no callers and public comment was closed.

Action: Moved by Commissioner Casciato, seconded by Commissioner Heldfond, to approve Minutes of the March 10, 2021 Retirement Board Meeting.

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

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.

7. 041421-07 Action Item Consent Calendar

**041421-07b Action Item Voluntary Retirement Board
List No. 10-20**

041421-07e

Discussion Item

**Retirement Board Member Reports
and Comments**

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

President Bridges called for public comment.

There were no callers and public comment was closed.

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

Ayes: Commissioners Bridges, Casciato, Driscoll, Heldfond, Safai, Stansbury

INVESTMENT CALENDAR

8. 041421-08

Discussion Item

Chief Investment Officer Report

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

William Coaker, Chief Investment Officer, presented and oral and written report on this item.

CIO Coaker reported that the SFERS portfolio gained 0.98% in March 2021. He reported that the SFERS Private Equity book returned 3.98%, backed by write-ups to public market equivalents after the recent surge in stock prices and due to a very strong IPO market. He also reported that the SFERS Private Credit portfolio gained 1.07%, also due recent write-ups in value. CIO Coaker reported that the SFERS Public Equity portfolio edged out a gain of 0.29% for the month while SFERS Real Assets and Fixed Income books lost -0.51% and -0.53%, respectively.

CIO Coaker reported out the following Board-approved investments:

ATLAS CAPITAL RESOURCES IV L.P.

At its meeting on February 10, 2021, the Retirement Board approved in closed session an investment of up to \$75 million in Atlas Capital Resources IV L.P. The investment was approved by the following vote:

Ayes: Commissioners Bridges, Casciato, Driscoll, Heldfond, Safai, Stansbury

SFERS' investment of \$67.5 million to Atlas Capital Resources IV LP closed on March 26, 2021. The investment is classified as a medium buyout investment within SFERS' Private Equity portfolio and is SFERS' first investment with Atlas Holdings.

More information about Atlas Holdings is available at <https://www.atlasholdingsllc.com>

BREVAN HOWARD ALPHA STRATEGIES FUND L.P.

At its meeting on March 10, 2021 the Retirement Board approved in closed session an investment of \$100 million in Brevan Howard Alpha Strategies Fund, L.P. by San Francisco Absolute Return Investors II, LP ("SFARI II"). The investment was approved by the following vote:

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

SFERS's investment of \$100 million in Brevan Howard Alpha Strategies Fund, L.P. closed on April 1, 2021.

This investment is classified as an Global Macro investment within SFERS' absolute return portfolio and is SFERS' first investment with Brevan Howard via share class B of SFARI II.

More information about the firm is available at: <https://www.brevanhoward.com/>

GENSTAR CAPITAL PARTNERS X, L.P. AND GENSTAR PRIORITY CO-INVESTMENT VEHICLES

At its meeting on February 10, 2021, the Retirement Board approved in closed session two investments of up to \$100 million in aggregate in Genstar Capital Partners X, L.P. and Genstar Priority Co-Investment Vehicles. The investments were approved by the following vote:

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

SFERS' investment of \$65 million in Genstar Capital Partners X, L.P. and \$20 million in Genstar co-investment opportunities closed on April 1, 2021. The investments are classified as large buyout investments within SFERS' Private Equity portfolio and are SFERS' third and fourth investments with Genstar Capital.

More information about Genstar Capital is available at <https://www.gencap.com>

ECLIPSE FUND IV, L.P.

At its meeting on February 10, 2021, the Retirement Board approved in closed session an investment of up to \$50 million to Eclipse Fund IV, L.P. The investment was approved by the following votes:

Ayes: Commissioners Bridges, Casciato, Driscoll, Heldfond, Safai, Stansbury

SFERS' total investment of \$25 million closed on April 8, 2021.

This fund is classified as a Venture Capital investment within SFERS' Private Equity portfolio.

More information about Eclipse Ventures is available on <https://eclipse.vc>

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

Commissioners thanked Investment Staff for their hard work and expressed their appreciation.

President Bridges called for public comment.

There were no callers and public comment was closed.

DEFERRED COMPENSATION PLAN CALENDAR

9. 041421-09 Action Item SFDCP Investment Consultant Recommendation

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum and Callan Presentation.

Diane Chui Justen, Deferred Compensation Director, provided an oral and written report on this item.

Director Chui Justen reported the following thorough evaluation of responses received through the SFDCP Investment Consulting Services Request for Proposal (RFP), the RFP evaluation team recommends extending SFDCP's engagement of Callan for another five years based on the following:

- Callan had the highest overall score based on a three-part weighting: 50% RFP responses, 30% pricing and 20% reference feedback.
- They have the most depth and breadth in the DC industry, particularly with government clients, including plan design.

- They have direct experience in helping government DC plans launch and manage some of the SFDCP's future considerations such as auto-enrollment and custom Target Date Fund design

Ms. Chui Justen reported that the evaluation team had presented its recommendation to retain Callan at the March 31, 2021 Deferred Compensation Committee meeting and the Deferred Compensation Committee voted unanimously to forward Staff's recommendation to the Full Board for approval.

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 callers and public comment was closed.

Action: Moved by Commissioner Casciato, seconded by Commissioner Driscoll, to accept the Deferred Compensation Committee's recommendation to retain Callan as Investment Consultant.

Ayes: Commissioners Bridges, Casciato, Driscoll, Heldfond, Stansbury
Absent: Commissioner Safai

10. 041421-10 Discussion Item Deferred Compensation Committee Report

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum.

Chair Al Casciato, reported that the Deferred Compensation Committee met on Wednesday, March 31, 2021. At the meeting the Deferred Compensation Committee:

- Approved the Minutes of the November 18, 2020 Deferred Compensation Committee meeting.
- Reported on VRA usage and General SFDCP Updates.
- Adopted staff's recommendation to approve Callan for Investment Consulting Services and to forward to the Retirement Board with a recommendation for approval.

President Bridges called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

11. 041421-11 Discussion Item Deferred Compensation Manager Monthly Report

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Monthly Activity Report.

Diane Chui Justen, Deferred Compensation Director, provided an oral and written report on this item.

Director Chui Justen reported that in early March, nearly 200 attendees attended the SFDCP webinar and staff is sending out follow up emails to those attendees. She also reported that a new webinar is being launched to help with tax decisions. Further marketing updates will be discussed at the May Board meeting.

President Bridges called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

ADMINISTRATION CALENDAR

12. 041421-12 Discussion Item Executive Director's Report

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

Administrative Update:

- Budget Outlook Update (March 2021 Update to the City's Five-Year Financial Plan)
- Retirement System's *Statement of Incompatible Activities*

Attachments for Informational Purposes:

- *Budget Outlook Update (March Update to the Five-Year Financial Plan)* dated March 31, 2021
- *San Francisco Employees' Retirement System Statement of Incompatible Activities*
- Retirement Board Forward Calendar for April 2021 to April 2022
- Request for Proposal in Progress Blackout Period
- *Public Retirement Conferences and Training Programs for SFERS Trustees* – Nossaman LLP

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

Commissioner Driscoll asked if there any problems delivering services to members. Mr. Huish reported that there has been no interruption in members services during the shelter-in-place order. Aside from limited rescheduling of in-person counseling appointments immediately after the shelter-in-place order was issued, Retirement Services has successfully transitioned to providing member services remotely and through the

SFERS website. Mr. Huish also reported that seminars being held remotely will be continued moving forward as an option due to favorable response by our members.

Commissioner Casciato commented that he has received feedback that members enjoyed webinars because they can also view it along with family members and loved ones.

President Bridges called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

13. 041421-13 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 ¶124.) 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 Casciato commented that he was in favor of recording Committee meetings for the public.

Commissioner Driscoll asked about the cost benefit analysis. Mr. Huish reported that moving forward a copy of WebEx meetings can be placed on the SFERS website.

President Bridges called for public comment.

Fred Sanchez, President of Protect our Benefits, commented on the complex decision on the discount rate and the importance of staffing levels and thanked SFERS for their fine work.

There were no additional callers and public comment was closed.

Action: This is a discussion only item.

14. 041421-14

Adjournment

Having no further business, the
Committee adjourned the meeting at 5:42 PM



Respectfully submitted,
Jay Huish, Executive Director