



SFERS

San Francisco Employees' Retirement System

City and County of San Francisco Employees' Retirement System

RETIREMENT BOARD MEETING

MINUTES

Wednesday, May 12, 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 2:30 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: 187 303 3662** 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, May 10, 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

Shruti Gandhi

Scott Heldfond

Ahsha Safai

Brian Stansbury

Jay Huish, Executive Director

Retirement Board Meeting

PUBLIC COMMENT CALL-IN: 415-655-0001

Access Code: 187 303 3662

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 [**187 303 3662**], 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

1. **Roll Call**

Commissioner Leona Bridges	1:05 PM
Commissioner Al Casciato	1:05 PM
Commissioner Joseph Driscoll	1:05 PM
Commissioner Heldfond	1:05 PM
Commissioner Ahsha Safaí	Absent
Commissioner Stansbury	1:05 PM

2. **Communications**

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

3. **051221-03 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 1:15 PM

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

The following individuals participated in the closed session to consider the employment of Executive Director via teleconference: Commissioners Casciato, Driscoll, Ghandi, Heldfond, 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, Gandi, Heldfond, 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; Chris Chow, Director, Real Assets, Andrew Collins, Director, ESG; Justin Lo, Alo Martins, Eunice McHugh,

Senior Portfolio Managers; Adrienne von Schulthess, Chris Terrazzano, Cynthia Wong, Patrick Li, Kien Trinh, Brady Jewett, Jiada Tu, Investment Analysts; Karen Perez, Investment Management Assistant; Ba Do, Investment Operations Manager; Robert Bryan, Deputy City Attorney; Allan Martin, NEPC; Anita Ng, Kelly Jensen, Richard Grimm, Cambridge.

The Board ended Closed Session at 2:28 PM

The Board returned to Open Session at 2:41 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, Gandhi, Heldfond

Absent: Commissioners Safai, Stansbury

4. 051221-04 General Public Comment – Not earlier than 2:30 PM

President Bridges called for General Public Comment.

Email received from John Stenson for General Public Comment:

AT YOUR APRIL BOARD MEETING YOUR CHIEF INVESTMENT OFFICER WAS VERY ELATED BECAUSE OUR PENSION FUND HAD GOOD INVESTMENT RETURNS.

IN A ELEVEN YEAR BULL MARKET YOU DO NOT NEED TO BE AN INVESTMENT GENIUS TO GET GOOD INVESTMENT RETURNS.

FOR OBVIOUS REASONS THERE ARE TWO WORDS THAT ASSET SALESMEN AND INVESTMENT CONSULTANTS DON'T LIKE TO HEAR, AND THEY ARE "PASSIVE INVESTING "

IN THE PAST 12 MONTHS A PASSIVE INVESTMENT IN THE S&P 500 PRODUCED A RETURN OF 56% PERCENT.

AND A PASSIVE INVESTMENT IN A 60 /40 STOCK AND BOND BALANCED INDEX PRODUCED A 39 % PERCENT RETURN.

THERE IS AN OLD WALL STREET ADAGE
"THE BIGGER THE BOOM, THE BIGGER THE BUST"

WHEN WE HAVE THE BIG BUST OUR PENSION FUND WILL BE STUCK WITH BILLIONS OF DOLLARS IN HIGH RISK LOW LIQUIDITY INVESTMENTS. SO YOU SHOULD START REDUCING THE RISK.

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

Claire Zvanski, past President of the Retired Employees of the City and County of San Francisco (RECCSF), called on behalf of John Tostanoski, RECCSF President, welcomed Commissioner Shruti Gandhi to the Board.

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

5. **051221-05** **Action Item** **Approval of the Minutes of the April 14, 2021 Meeting and approval of the Minutes of the April 28, 2021 Special Retirement Board Meeting**

Documents provided to the Retirement Board prior to the current meeting: Draft Minutes of the April 14, 2021 Retirement Board Meeting and April 28, 2021 Special 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 April 14, 2021 Retirement Board Meeting and April 28, 2021 Special Retirement Board Meeting.

Ayes: Commissioners Bridges, Casciato, Driscoll, Gandhi, Heldfond

Absent: Commissioners 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.

6. **051221-06** **Action Item** **Consent Calendar**
- 051221-06b** **Action Item** **Voluntary Retirement Board List No. 11-20**

051221-06c	Action Item	Decisions of Hearing Officers
Anna Alexander Effective Date: 09/07/19	Q4 Police Officer III Police	Industrial Disability Retirement Granted
Bonita F Jacobs Effective Date: PERS	8320 Counselor, Juvenile Hall Juvenile Probation Department	Cal-PERS – Disability Retirement Certified
Ryan A Kennedy Effective Date: 06/01/20	H30 Captain Fire	Industrial Disability Retirement Granted
Agustin J Larue Effective Date: 06/29/19	H2 Firefighter Fire	Industrial Disability Retirement/Stip Granted
Michael E Phillips Effective Date: 03/15/19	Q3 Police Officer II Police	Industrial Disability Retirement Granted
Gianrico C Pierucci Effective Date: 12/02/17	0382 Inspector III Police	Industrial Disability Retirement/Stip Granted
Sanjay S Shastri Effective Date: 12/29/18	Q4 Police Officer III Police	Industrial Disability Retirement/Stip Granted
051221-06d	Action Item	Travel Requests
051221-06e	Discussion Item	Retirement Board Member Reports and Comments

Report by Commissioner Joseph Driscoll who attended the 27th ADP Annual DAAG Virtual Conference, April 14-16, 2021, and Workshops, April 6-22, 2021.

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

President Bridges called for public comment.

There were no callers and public comment was closed.

Commissioner Driscoll requested that Item 6(c) regarding Ryan A. Kennedy, be removed from Consent Calendar for separate consideration.

Action: Moved by Commissioner Heldfond, seconded by Commissioner Casciato, to approve Consent Calendar with exception of Item No. 6(c) as it relates to Ryan A. Kennedy for separate consideration.

Ayes: Commissioners Bridges, Casciato, Driscoll, Ghandi, Heldfond

Absent: Commissioners Safaí, Stansbury

Commissioner Driscoll asked to be recused from voting on decision regarding Ryan A. Kennedy.

Commissioner Casciato announced that Commissioner Safaí left this meeting to attend a BOS Budget Meeting.

Action: Moved by Commissioner Casciato, seconded by Commissioner Heldfond, to accept Commissioner Driscoll's request to be recused.

Ayes: Commissioners Bridges, Casciato, Ghandi, Heldfond

Absent: Commissioners Safaí, Stansbury

Recused: Commissioner Driscoll

Action: Moved by Commissioner Heldfond, seconded by Commissioner Casciato, to approve retirement of Ryan A. Kennedy.

Ayes: Commissioners Bridges, Casciato, Ghandi, Heldfond

Absent: Commissioners Safaí, Stansbury

Recused: Commissioner Driscoll

INVESTMENT CALENDAR

7. 051221-07 Discussion Item Investment Committee Report

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

Chair Heldfond thanked CIO William Coaker and Staff for their presentation on annual updates regarding Public Fixed Income, Public Equity and Absolute Return portfolios.

President Bridges called for public comment.

There were no callers and public comment was closed.

8. 051221-08 Discussion Item Chief Investment Officer Report

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

William Coaker, CIO, presented an oral and written report.

CIO Coaker reported another good month in April 2021 gaining 2.08% with Public Equity leading a return of 4.34% in April. Private Equity gained 1.39% while Fixed Income book returned 0.81%. Mr. Coaker added that equity returns in April were strong almost across the board. All asset classes were positive for the month except real assets down 6 basis points.

CIO Coaker stated that with ten months of FY2020-21 in the books, SFERS investments have posted a stellar return of 25.73%. He reported that Public Equity and Private Equity portfolios have posted extraordinary returns, gaining 39.74% and 41.22%, respectively, this fiscal year. The gains in Public Equity this fiscal year have been broad based. CIO Coaker indicated that economically sensitive sectors such as Financials and Materials have led the market up, gaining 58.41% and 49.42%, respectively. Industrials and Consumer Discretionary, which are also economically sensitive, have returned 48.01% and 47.86%, respectively, this fiscal year. He reported that, among countries, Emerging Markets have outperformed, gaining 37.82%, followed by the U.S. which has returned 36.61%. Europe has returned 31.71% while Japan has lagged but still returned 23.58%. CIO Coaker reported that SFERS Absolute Return portfolio has gained 12.29% through March with April results not available at the time of this meeting. Private Credit portfolio is up 14.23% this fiscal year. CIO Coaker reported that SFERS Real Assets and Fixed Income portfolios have gained 4.17% and 2.17%, respectively, this fiscal year.

Previously approved closed session item:

PROJECT MIRASOL CO-INVEST FUND, L.P.

At its meeting on March 10, 2021, the Retirement Board approved in closed session an investment of up to \$20 million in Project Mirasol Co-Invest Fund, L.P., sponsored by Thoma Bravo. The investment was approved by the following vote:

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

SFERS' investment of \$15 million in Project Mirasol Co-Invest Fund, L.P. closed on April 16, 2021. The investment is classified as a co-investment within SFERS' Private Equity portfolio and is SFERS' second co-investment with Thoma Bravo.

More information about Thoma Bravo is available at <https://www.thomabravo.com>.

CIO Coaker reported on managers under review and noted that SFERS reported December 31, 2020 performance at its Board meeting on March 10, 2021 and subsequently updated its list of Managers Under Review and noted the following changes:

- Within the public equity portfolio, DFA Emerging Markets Small Cap was added due to underperformance. Wellington Emerging Markets Equity was added due to organizational changes. No managers were removed.
- Within the public fixed income portfolio, PIMCO Multi-Sector was added due to organizational issues. No managers were removed.

President Bridges called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

DEFERRED COMPENSATION PLAN CALENDAR

9. 051221-09 Discussion Item SFDCP Quarterly Report – Q1 '21

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Quarterly Activity Report, SFDCP Communications Presentation and Voya Digital Experiences

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

Ms. Chui Justen reported on the following key areas:

- Investments

The Stable Value Credit Rate is 1.78% for Q2 2021. Ms. Chui Justen gave update on staff changes. SFDCP staff is currently working on contracting and Investment Consultant RFP remains in a blackout period.

- Marketing/Communications

New webinars:

1. "Comparing your savings opportunities in the SFDCP" was added in March to coincide with tax season.
2. "Getting a raise in July? Increase your SFDCP contribution" available in late May 2021.

Educational videos and targeted direct mail to launch in June and September 2021.

- Operations

CARES Act – Coronavirus Related Distribution Repayment Mailing dropped on April 8, 2021.

- Recordkeeper

Voya's SFDCP participant website to launch enhancements targeting Q3 2021.

Brian Merrick, Voya, spoke about following tools to offer individuals the ability to learn about specific topics, or follow learning modules centered on career stage, goals and life events to educate them on retirement planning and holistic financial wellness.

- SDFCP.org: Provides plan information, enrollment information, participating resources, investment education and access to department dedicated SFDCP Counselors.
- SFDCP Webinars: Live online presentations on a variety of retirement planning topics.
- SFDCP News: Timely articles about SFDCP features, benefits, investing, and tips to achieve financial retirement goals.
- Resource & Tools: Public and post-login calculators and experiences to drive better financial wellness and retirement outcomes.

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: This is a discussion only item.

ADMINISTRATION CALENDAR

10. 051221-10 Discussion Item Review and Discussion of the July 1, 2020 Actuarial Funding Valuation Results and presentation of Employer Contribution Rate Stress Test Projections

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Presentation: July 1, 2020 Funding Actuarial Valuation Results.

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

Ms. Brazelton announced that they would be presenting the valuation results and contribution rate stress test projections only, and that the valuation report will come before the Board in June.

Bill Hallmark and Anne Harper of Cheiron presented the results of the SFERS annual actuarial valuation as of July 1, 2020. This valuation forms the basis for the calculation of the fiscal year 2021-2022 employer and employee contribution rates.

Mr. Hallmark reported that the FYE 2022 contribution rate is lower than expected primarily due to economic and demographic assumption changes. He indicated that Funded Status projections are slightly lower compared to 2019 valuation due to assets earning 3.7%. There is significant downward pressure on future contribution rates. Mr. Hallmark reported that the contribution rate is projected to decrease by approximately 1.6% of payroll for FYE 2023 and another 2.1% for FYE 2024 due to completion of payment of several amortization bases for Charter changes and prior Supplemental COLAs over the next four years.

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: This is a discussion only item.

11. 051221-11 Action Item Adoption of Employer Contribution Rate of 24.41% for Fiscal Year 2021-22

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

Bill Hallmark and Anne Harper of Cheiron have previously presented the results from the July 1, 2020 actuarial funding valuation which determines the contribution rate for fiscal year 2021-22. Cheiron recommended the Board adopt an Employer Contribution Rate of 24.41% for Fiscal Year 2021-22.

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 the recommended employer contribution rate of 24.41% for fiscal year 2021-2022.

Ayes: Commissioners Bridges, Casciato, Driscoll, Ghandi, Heldfond

Absent: Commissioners Safai, Stansbury

12. 051221-12 Discussion Item Virtual Training Expense Report for the Quarter Ended March 31, 2021

Documents provided to the Retirement Board prior to the current meeting: Virtual Training Expense Report for the Quarter Ended March 31, 2021.

Jay Huish, Executive Director, reported on expenses related to registration for virtual conferences for Board members and staff.

President Bridges called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

13. 051221-13 Discussion Item Executive Director's Report

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

Administrative Update:

- Welcome to new Retirement Board Commissioner Shruti Gandhi, appointed by Mayor Breed and sworn in on April 28, 2021

Attachments for Informational Purposes:

- Brief Bio of Shruti Gandhi
- Retirement Board Forward Calendar for May 2021 to May 2022
- 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 callers and public comment was closed.

Action: This is a discussion only item.

14. 051221-14 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 Casciato and President Bridges thanked staff for their hard work.

Commissioner Gandhi thanked the Board and looked forward to working with everyone.

Commissioner Heldfond asked that everyone attend the next Investment Committee meeting.

President Bridges reminded the Committee Chairs to schedule meetings before year end.

President Bridges called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

15. 051221-15 Adjournment

Having no further business, the
Committee adjourned the meeting at 3:45 PM



Respectfully submitted,
Jay Huish, Executive Director