



SFERS

San Francisco Employees' Retirement System

City and County of San Francisco Employees' Retirement System

RETIREMENT BOARD MEETING

MINUTES

Wednesday, October 13, 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 3:00 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 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: 146 491 7791** 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, Friday, October 8, 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

Al Casciato, President

Ahsha Safaí, Vice President

Leona Bridges

Joseph Driscoll

Shruti Gandhi

Scott Heldfond

Brian Stansbury

Jay Huish, Executive Director

Retirement Board Meeting

PUBLIC COMMENT CALL-IN: 415-655-0001

Access Code: 146 491 7791

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 [**146 491 7791**], 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)

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

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OPENING CALENDAR

1. Roll Call

Commissioner Leona Bridges	1:00 PM
Commissioner Al Casciato	1:00 PM
Commissioner Joseph Driscoll	1:00 PM
Commissioner Shruti Gandhi	1:06 PM
Commissioner Scott Heldfond	1:00 PM
Commissioner Ahsha Safai	Absent
Commissioner Brian Stansbury	Absent

2. Communications

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

President Casciato called for public comment.

There were no callers and public comment was closed.

3. 101321-03

Action Item

Review and Approval of Board Resolution to Continue to Meet Remotely for at least 30 days pursuant to AB 361

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Resolution Making Findings to Allow Teleconferenced Meetings Under California Government Code Section 54953(e).

Jay Huish, Executive Director, provided a written and oral report on this item.

It was recommended that the Retirement Board continue to meet remotely for at least the next 30 days; adopt findings under new State urgency legislation codified as Government Code Section 54953(e) (AB 361), including that (1) the State and the City remain in a state of emergency due to the COVID-19 pandemic, (2) State and City officials continue to recommend measures to promote physical and other social distancing in some settings, and (3) conducting meetings in person would present imminent risks to the safety of attendees and the state of emergency continues to directly impact the ability of members to meet safely in person; and directed the Board Secretary to agendize a similar resolution at a meeting within 30 days.

President Casciato called for public comment.

There were no callers and public comment was closed.

Action: Moved by Commissioner Heldfond, seconded by Commissioner Bridges, to adopt Resolution recommending the Retirement Board continue to meet remotely for at least the next 30 days; adopt findings under new State urgency legislation codified as Government Code Section 54953(e) (AB 361),

including that (1) the State and the City remain in a state of emergency due to the COVID-19 pandemic, (2) State and City officials continue to recommend measures to promote physical and other social distancing in some settings, and (3) conducting meetings in person would present imminent risks to the safety of attendees and the state of emergency continues to directly impact the ability of members to meet safely in person; and directing the Board Secretary to agendize a similar resolution at a meeting within 30 days.

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

4. 101321-04 Action Item CLOSED SESSION

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

President Casciato called for public comment on the Closed Session items.

Fred Sanchez, Protect our Benefits, spoke in favor of having separate Executive Director and CIO positions.

There were no additional callers and public comment was closed.

The Board entered closed session at 1:16 pm

(a) PUBLIC EMPLOYEE APPOINTMENT/HIRING, pursuant to California Government Code section 54957(b) and San Francisco Administrative Code section 67.10(b)

Title/position to be filled: Executive Director

The following individuals were present for the closed session re Public Employee Appointment/Hiring, pursuant to California Government Code section 54957(b) and San Francisco Administrative Code section 67.10(b) via teleconference: Commissioners Bridges, Casciato, Driscoll, Gandhi, Heldfond; Gary Hudepohl, Hudepohl & Associates.

(b) Possible Recommendation and/or Action on Sale and Purchase of Particular, Specific Pension Fund Investment under California Government Code Section 54956.81

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 via teleconference: Commissioners Bridges, Casciato, Driscoll, Gandhi, Heldfond; Jay Huish, Executive Director; Darlene Armanino, Board Secretary, Caryn Bortnick, Deputy Executive Director; Kurt Braitberg, Interim Chief investment Officer; Tanya Kemp, Managing Director, Private Markets; Anna Langs, Managing Director of Asset Allocation, Risk Management, and

Innovative Solutions; David Francl, Absolute Return Managing Director; Han Pham, Director, Public Equity; Ed Comerford, Director, Buyouts; Chris Chow, Director, Real Assets; Andrew Collins, Director, ESG; Eunice McHugh, Alo Martins, Senior Portfolio Managers; Adrienne von Schulthess, Chris Terrazzano, Kien Trinh, Brady Jewett, Jiada Tu, Dennis Esselsagoe, Cynthia Wong, Patrick Li, Investment Analyst; Ba Do, Investment Operations Manager; Robert Bryan, Molly Nordale, Tran Ly, Christopher Dykzeul, Deputy City Attorneys; Allan Martin, Tim O'Connell, NEPC; Anita Ng, Kelly Jensen, Charles Koegler, Marc Cardillo, Richard Grimm, Michael Brand, Cambridge Associates.

The Board ended Closed Session at 3:30 pm

The Board returned to Open Session 3:30 pm

President Casciato called for public comment.

There were no callers and public comment was closed.

Action: Moved by Commissioner Bridges, seconded by Commissioner Driscoll, not to disclose any discussions held in Closed Sessions 4 (a) and 4 (c) under San Francisco Administrative Code Section 67.12(a).

Ayes: Commissioners Bridges, Casciato, Driscoll, Heldfond

Absent: Commissioners Gandhi, Safaí, Stansbury

5. 101321-05

General Public Comment – Not earlier than 3:00 p.m.

President Casciato called for General Public Comment.

Email received from John Stenson for General Public Comment:

AT YOUR SEPTEMBER SFERS MEETING, YOUR EXECUTIVE DIRECTOR TOLD YOU TO GIVE YOURSELVES A SELF EVALUATION. "A SELF EVALUATION IS NO EVALUATION"

WHEN IT COMES TO ANSWERING QUESTIONS ABOUT HOW YOU ARE INVESTING OUR MONEY YOU SHOULD GIVE YOURSELVES A FAILING GRADE.

AND WHEN IT COMES TO INVESTING, BECAUSE IN THE PAST TEN YEARS YOU HAVE NOT OUTPERFORMED A PASSIVE INVESTMENT IN THE S&P 500 YOU SHOULD GIVE YOURSELVES A B-MINUS

ALSO AT YOUR SEPTEMBER MEETING, ONE OF OUR MEMBERS SENT YOU A LETTER THAT HE WANTED TO BE READ IN PUBLIC COMMENT. YOU REFUSED TO LISTEN TO THE CONTENTS OF THE LETTER BECAUSE IT CONTAINED MORE THAN 150 WORDS. IT PROBABLY TOOK YOUR EXECUTIVE DIRECTOR A LONGER TIME TO COUNT THE WORDS THAN IT WAS TO READ THE WORDS.

I HOPE NEXT YEAR I CAN GIVE YOU A BETTER EVALUATION.

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

Michael Hebel, Welfare Officer for the San Francisco Police Officers' Association, requested assistance on behalf of retired police sergeant Jon C. McMahon, industrial disability retiree, to confirm request for adjustment of award be brought to Board for approval.

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

6. 101321-06 Action Item Approval of the Minutes of the September 8, 2021 Retirement Board Meeting

Documents provided to the Retirement Board prior to the current meeting: Draft Minutes of the September 8, 2021 Retirement Board Meeting.

President Casciato called for public comment.

There were no callers and public comment was closed.

Action: Moved by Commissioner Heldfond, seconded by Commissioner Gandhi, to approve Minutes of the September 8, 2021 Retirement Board Meeting.

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

Absent: Commissioners Safai, 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. 101321-07	Action Item	Consent Calendar
101321-07b	Action Item	Voluntary Retirement Board List No. 04-21
101321-07c	Action Item	Decisions of Hearing Officers
Robert L Arzave	H2O Lieutenant, Fire Suppression	Industrial Disability Retirement/Stip

Effective Date: 05/30/20	Fire	Granted
Joseph E Figone Effective Date: 06/01/18	3422 Park Section Supervisor Recreation and Park	Ordinary Disability Retirement/Stip Granted
Dorothea M Medina Effective Date: 04/01/19	2303 Patient Care Assistant Department of Public Health	Ordinary Disability Retirement Granted
David J Monteverdi Effective Date: 07/01/19	H20 Lieutenant, Fire Suppression Fire	Industrial Disability Retirement/Stip Granted
Josephine D Muir Effective Date: 11/30/19	1406 Senior Clerk Department of Public Health	Ordinary Disability Retirement/Stip Granted
Robert E Winslow Effective Date: 01/30/19	H20 Lieutenant, Fire Suppression Fire	Industrial Disability Retirement/Stip Granted
Crystal Rui Zhen Yang Effective Date: 07/01/21	2903 Hospital Eligibility Worker Department of Public Health	Ordinary Disability Retirement Granted

101321-07d

Action Item

Conference Requests

101321-07e

Discussion Item

**Retirement Board Member Reports
and Comments**

Report by Commissioner Leona Bridges who attended the NASP 32nd Annual Financial Services Virtual Conference, September 22-23, 2021.

Report by Commissioner Leona Bridges who attended the CII 2021 Fall Virtual Conference, September 22-24, 2021.

Action: This is a discussion only item.

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

President Casciato called for public comment.

There were no callers and public comment was closed.

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

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

PRESIDENT CASCIATO CALLED ITEM NO. 9

9. 101321-09 Action Item Recommendation to transition SFERS' current investment in a passive Russell 1000 Value strategy to an active ESG-enhanced strategy managed by BlackRock

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

Kurt Braitberg, Interim Chief Investment Officer; Han Pham, Director, Public Equity, provided an oral and written report on this item.

Staff and NEPC, SFERS' general consultant, recommended the transition of SFERS' current investment in a passive Russell 1000 Value strategy to an active ESG-enhanced strategy managed by BlackRock. SFERS had \$636.3 million as of August 31, 2021 in the Russell 1000 Value separate account managed by Blackrock. The active strategy is part of BlackRock's Systematic Active Equity (SAE) platform and will incorporate ESG considerations to drive alpha. Expected annual tracking error will increase from 10bps to 200bps.

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

President Casciato called for public comment.

There were no callers and public comment was closed.

Action: Moved by Commissioner Driscoll, seconded by Commissioner Bridges, to approve the transition from a passive Russell 1000 Value strategy to an active ESG-enhanced strategy managed by BlackRock.

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

INVESTMENT CALENDAR

8. 101321-08 Discussion Item Investment Committee Meeting Report

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

Commissioner Heldfond, Chair of the Investment Committee Meeting, thanked staff for their presentations on September 15, 2021 and submitted report as written.

President Casciato called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

10. 101321-10 Discussion Item Risk Review for SFERS Total Plan

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Risk Review for SFERS Total Plan.

Kurt Braitberg, Interim Chief Investment Officer, Anna Langs, Managing Director of Asset Allocation, Risk Management, and Innovative Solutions, and Brady Jewett, Investment Analyst, provided an oral and written report on this item.

SFERS Investment Staff presented its annual update of Risk Management. The update provided an overview of SFERS Risk Management Framework, evaluated key risk drivers for the Total Plan and each asset class, highlighted current and historical exposures and concentrations, examined risk adjusted performance and whether SFERS was compensated for taking these risks, and concluded with a review of relevant stress tests and scenario analysis.

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

President Casciato called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

11. 101321-11 Discussion Item Chief Investment Officer Report

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

Kurt Braitberg, Interim Chief Investment Officer, provided a written and oral report on this item.

SFERS has generated an estimated annual return of 18.09% through September 30th. Results to-date have been led by Private Equity which has returned 49.32%. Real Assets and Private Credit have posted double digit returns of 15.35% and 13.23%, respectively while Public Equity is up 9.25% for the year. Absolute Return and Fixed Income are both positive for the year having returned 3.33% and 0.06%, respectively. For reference, a 60/40 portfolio and a 60/30/10 portfolio are estimated to have returned 4.22% and 6.92%, respectively.

SFERS estimated assets at the end of August are \$36.1 Billion.

Board approved Investments:

Sofinnova Venture Partners XI, L.P.

At its meeting on June 9, 2021, the Retirement Board approved in closed session an investment of up to \$50 million to Sofinnova Venture Partners XI, L.P. The investment was approved by the following votes:

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

Absent: Commissioner Safaí

SFERS' total investment of \$50 million closed on September 10, 2021.

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

More information about Sofinnova is available on <https://www.sofinnova.com/>

LSC V, L.P. and LSC Select II, L.P.

At its meeting on September 8, 2021, the Retirement Board approved in closed session an investment of up to \$40 million to be allocated between LSC V, L.P. and LSC Select II, L.P. The investments were approved by the following vote:

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

Absent: Commissioner Safaí

SFERS' investment of \$30 million in LSC V, L.P. and \$10 million in LSC Select II, L.P. closed on September 21, 2021.

These investments will be classified as Venture Capital within SFERS' Private Equity portfolio.

More information about Lightspeed China is available on <https://lsvp.com/global-presence/lightspeed-china-partners/>

CBC S-I, L.P.

At its meeting on February 10, 2021, the Retirement Board approved in closed session an investment of up to \$75 million in C-Bridge Healthcare Fund V, L.P. and CBC S-I, L.P. The investment was approved by the following vote:

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

SFERS' investment of \$25 million in CBC S-I, L.P. was closed on September 27, 2021.

The investment is classified as a co-investment within SFERS' Private Equity portfolio and is SFERS' first co-investment vehicle with CBC Group.

More information about CBC Group is available at www.cbridgecap.com.

Long Hill Capital Venture Partners 2 Plus, L.P.

At its meeting on September 8, 2021, the Retirement Board approved in closed session an investment of up to \$15 million to Long Hill Capital Venture Partners 2 Plus, L.P. The investment was approved by the following votes:

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

SFERS' total investment of \$12 million closed on September 30, 2021.

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

More information about Long Hill is available on <http://www.lhcap.cn/>

HCP Studio Fund, LP

At its meeting on August 11, 2021, the Retirement Board approved in closed session an investment of up to \$50 million to HCP Studio Fund, LP and up to \$50 million to Studio Fund SFERS, LP. The investment was approved by the following vote:

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

SFERS' commitment of \$50 million to HCP Studio Fund, LP closed on October 5, 2021. SFERS' investment is classified as a Real Estate investment within the Real Assets portfolio and is SFERS' first investment with Hackman Capital Partners.

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

The next Investment Committee Meeting is scheduled for November 17th (1:00 p.m.). The focus of the meeting will be on the investment implications of recent regulatory changes in China. President Casciato called for public comment.

President Casciato called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

DEFERRED COMPENSATION PLAN CALENDAR

12. 101321-12 Discussion Item SFDCP Committee Report

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

Commissioner Leona Bridges, Chair of the SFDCP Committee, submitted report as submitted.

President Casciato called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

13. 101321-13 Discussion Item SFDCP Monthly Report

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, 2021 National Retirement Security Month Campaign, August 2021 Monthly Activity Report.

Diane Chui Justen, Deferred Compensation Director, presented a written and oral report on this item.

Ms. Chui Justen reported on the following:

- SFDCP Stable Value Fund crediting rate for Q4 '21 is 1.71%
- October is National Retirement Security Month – Plan for your Future
- August 2021 Monthly Activity Report

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

President Casciato called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

ADMINISTRATION CALENDAR

14. 101321-14 Discussion Item Personnel Committee Report

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

President Casciato accepted report as submitted.

President Casciato called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

15. 101321-15 Discussion Item 2021 Review of Economic Assumptions: Negative Scenario Tests

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Cheiron's presentation of Economic Assumptions and Funding Methods.

Janet Brazelton, Actuarial Services Coordinator, and Bill Hallmark, Cheiron, presented a written and oral report on this item.

Cheiron presented a comprehensive review of the price inflation, wage inflation, and discount rate assumptions at the Board's August 11, 2021 meeting. Cheiron proposed no changes to the price and wage inflation assumptions for the July 1, 2021 actuarial valuation. Cheiron presented three options for the discount rate: 7.2%, 7.0%, and 6.8%. All the presented options included reductions in some existing amortization periods in light of the plan's fully funded position.

In order to make a fully informed decision at the Board's November 10, 2021 meeting, the Board requested Cheiron to present negative investment return scenarios for the proposed options. To provide a straight-up comparison between the discount rate options, Cheiron has used a 7.0% assumed investment return as the baseline for all options. This is the middle of the three discount rate options and is in line with NEPC's 6.9% near-term (5-10 years) capital market assumptions for the SFERS investment portfolio.

Cheiron's report on the materials:

Market Value of Assets

- Projected assets are greater with a lower discount rate, since contributions are higher
- Greater assets improve security of benefits

Funded Ratio

- For the baseline scenarios, projections remain above 100% at all discount rates

- For negative scenarios, projections fall below 100% at all discount rates, but the lower discount rates are more likely to result in a funded ratio below 100%
- Over the long term, lower discount rates result in slightly higher funded ratios

Average Member Rates After Cost-Sharing

- None of the scenarios result in an average member rate above 11.2%, the current average rate for FYE 2022
- In baseline scenario, member rates are projected to drop below the rate before cost-sharing for all discount rates except 6.8%
- In the negative return scenarios, most rates fall between 8% and 10%

Employer Rates After Cost-Sharing

- None of the scenarios result in an employer rate above 20%, the current rate for FYE 2022 is 20.9%
- In the negative return scenarios, most rates fall between 10% and 18%
- While lower discount rates generally produce higher contributions, in the baseline scenario the differences in the short term are minimal and for the City, including retiree health care trust contributions, the differences in the long term are also minimal

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

President Casciato requested Cheiron to prepare a one page graph of the discount rate and how it works so members can clearly understand how the discount rate is working and how it impacts when it moves up and down.

Jay Huish, Executive Director, noted that this item will be on next month's calendar as an action item to vote on.

President Casciato called for public comment.

There were no callers and public comment was closed.

Action: This is a discussion only item.

16. 101321-16 Discussion Item Executive Director's Report

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

Administrative Update:

- **2021 Board Self-Evaluation Survey** – Ashley Dunning, the Board's Governance Consultant, will be distributing the Governance Self-Evaluation Survey to each Board member

