



SFERS

San Francisco Employees' Retirement System

City and County of San Francisco
Employees' Retirement System

DEFERRED COMPENSATION

COMMITTEE MINUTES

Wednesday, September 29, 2021

1:00 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 may listen to the committee meeting "live" by dialing 415-655-0001 and using Access Code: 146 578 9834 and will be able to provide public comment during the meeting using this 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.

Public comments submitted by 5:00 p.m. PST, Monday, September 27, 2021 will be included in the record.

MISSION STATEMENT

Deliver an exceptional voluntary retirement program, with empowering education and advanced tools that enable participants to achieve their financial retirement goals.

DEFERRED COMPENSATION COMMITTEE MEMBERS

Leona Bridges, Chair
Al Casciato
Joseph Driscoll

Jay Huish
Executive Director

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Sunshine Ordinance Task Force
City Hall
1 Dr Carlton B. Goodlett Place, Room 244
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Deferred Compensation Committee Meeting

PUBLIC COMMENT CALL-IN: 415-655-0001 Access Code: 146 578 9834

- 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 [**146 578 9834**], 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.

OPENING CALENDAR

1. **Roll Call** Commissioner Bridges 1:06 PM
Commissioner Casciato 1:06 PM
Commissioner Driscoll 1:06 PM

2. **092921-02 General Public Comment**

Chair Bridges called for General Public Comment.

There were no callers and General Public Comment was closed.

3. **092921-03 Action Item Approval of the Minutes of the June 23, 2021 Deferred Compensation Committee Meeting**

Documents provided to the Committee prior to the current meeting: Draft Minutes of the June 23, 2021 Deferred Compensation Committee Meeting.

Chair Bridges called for public comment.

There were no callers and public comment was closed.

Action: Moved by Commissioner Casciato, Seconded by Commissioner Driscoll, to approve Minutes of the June 23, 2021 Deferred Compensation Committee Meeting.

Ayes: Commissioners Bridges, Casciato, Driscoll

4. **092921-04 Discussion Item Target Date Fund Suitability Analysis**

Documents provided to the Committee prior to the current meeting: Staff Memorandum, SFDCP Target Date Fund Suitability Study

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

Callan conducted a Target Date Suitability Analysis in light of the other asset allocation products now available within the Plan (such as the futureReady portfolios and managed accounts).

It was reported that the contract with Russell (SFDCP's custom Target Date Fund Investment Manager) is set to expire on December 31, 2022, and there was a discussion on whether custom Target Date Funds remain appropriate given the added costs/resources involved, as opposed to an "off the shelf" Target Date Fund.

Callan and Staff discussed the findings and modeling results. Should the Committee decide to continue offering a custom Target Date Fund series, then a custom Target Date Fund provider RFP will need to be conducted next year.

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

Chair Bridges called for public comment.

There were no comments and public comment was closed.

Action: This is a discussion only item.

5. 092921-05 Action Item SFDCP Auto Enrollment

Documents provided to the Committee prior to the current meeting: Staff Memorandum, Callan's Auto Features Analysis Presentation, Voya's Auto-Enrollment Decisions Presentation and Proposed Auto Enrollment Timeline

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

At the Deferred Compensation Committee meeting on June 23, 2021, Staff presented a proposed timeline for an auto enrollment program and Callan (Consultant) presented on the data and demographic inputs needed for their recommendation of auto enrollment design. The Deferred Compensation Committee directed Staff and Consultant to proceed with developing an auto enrollment program, including a proposed deferral percentage amount. In addition, Staff has asked Voya (Recordkeeper) to recommend an auto-enrollment design that would be optimally administered (with negligible error) and the best participant experience.

If the Plan pursues the addition of auto-features, several decisions remain:

- In setting the rate for auto-enrollment, the Plan needs to weigh whether or not the status quo is acceptable. If the range of projected replacement ratios across the various populations at current deferral rates are deemed adequate, then a default rate of 5% or similarly, starting at 3% and escalating to 5% closely matches the existing outcomes.

- If instead the Plan desires more robust projected accumulation metrics (e.g., replacement ratio), then the inclusion of auto-features would prove beneficial. In doing so the Plan would need to weigh how much additional savings participant could reasonably shoulder without a noticeable effect on current quality of life. Escalating from a lower base (3%) provides a longer ramp up to 10%, meaning the full dollar impact is not felt until an employee has 7 years of tenure.
- It is important to note that a participant will be able to adjust their deferral amount to meet their needs.
- If a static amount or escalation cap is implemented, studies have shown participants will rarely proactively save more than the terminal deferral amount.

To help provide context to the various scenarios, a sample employee is already seeing 29.4% of gross pay deducted for a variety of benefits (defined benefit, Social Security, healthcare, vision, dental, union dues and retiree healthcare).

Ms. Chui Justen reported that in the material it states that based on Callan's modeling analysis, the data indicates that a "3% initial deferral escalating to 5% over two years" could be the most optimal for CCSF employees, as this scenario closely matches existing SFDCP participant behavior, is not too exorbitant of an initial deferral, and still meets the income replacement target in retirement, even in the worst-case scenarios.

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

The Commissioners discussed their concerns with the impact of labor unions, that employees are able to opt out of this program, and that this would be a benefit to employees.

Chair Bridges called for public comment.

There were no callers and public comment was closed.

Action: Moved by Commissioner Driscoll, Seconded by Commissioner Casciato, to direct Staff to inform the Public Employees Committee and/or other unions of the SFDCP auto enrollment program, to include initial deferring and escalating rates over a reasonable number of years.

Ayes: Commissioners Bridges, Casciato, Driscoll

6. 092921-06 Discussion Item Deferred Compensation Committee 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.

Commissioners thanked staff and consultants for their efforts.
Chair Bridges called for public comment.
There were no comments and public comment was closed.

Action: This is a discussion only item.

7. 092921-07 Adjourment

Having no further business, the Committee adjourned the meeting at 3:46 PM

Respectfully submitted,



Jay Huish, Executive Director