



City and County of San Francisco  
Employees' Retirement System  
**DEFERRED COMPENSATION  
COMMITTEE MINUTES**

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**Wednesday, December 15, 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: 146 266 2787** 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](mailto: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, December 10, 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  
San Francisco, CA 94102-4689  
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by fax at (415) 554-7854  
or by email at [sotf@sfgov.org](mailto:sotf@sfgov.org)

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## Deferred Compensation Committee Meeting

**PUBLIC COMMENT CALL-IN: 415-655-0001 Access Code: 146 266 2787**

- 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 [**146 266 2787**], 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 1:09 PM  
Commissioner Casciato 1:09 PM  
Commissioner Driscoll 1:09 PM

2. **121521-02 General Public Comment**  
Chair Bridges called for General Public Comment.

There were no callers and General Public Comment was closed.

3. **121521-03 Action Item Approval of the Minutes of the September 29, 2021  
Deferred Compensation Committee Meeting**

Documents provided to the Committee prior to the current meeting: Draft Minutes of the September 29, 2021 Deferred Compensation Committee Meeting.

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 approve Minutes of the September 29, 2021 Deferred Compensation Committee Meeting.

Ayes: Commissioners Bridges, Casciato, Driscoll

4. **121521-04 Action Item SFDCP Target Date Funds Glidepath Refresh**

Documents provided to the Committee prior to the current meeting: Staff Memorandum, Russell's SFDCP Glidepath Review and Proposal.

Diane Chui Justen, Deferred Compensation Director, Chris Kyle, CFA and Steve Murray, Ph.D., CFA from Russell Investments, provided an oral and written report on this item.

Every three years, Russell reviews the SFDCP's participation demographics by analyzing salary and defined benefit (pension) data from the City and County of San Francisco, as well as defined contribution data from Voya, who serves as the SFDCP recordkeeper. The purpose of this

periodic study is to determine whether any asset allocation updates are required, in order for the average TDF participant to have a high probability of success in meeting their retirement needs, while minimizing risk.

Russell proposed the following changes:

- **Changes to Global Equity Market Cap Weights:** Relative to the MSCI ACWI, the Funds are intended to have a neutral weight to US equities, underweight to non-US equities, and overweight to emerging markets; the index regional weights have shifted since the previous study, requiring an adjustment to match the latest index profile.
- **Reallocation from Growth Equities to High Yield:** High Yield fixed income has strong diversifying characteristics and a meaningful return profile relative to equities; reallocating from growth equities to high yield has a minimal impact on fund returns while helping lower overall risk across each Fund.
- **Reallocation from Commodities to REITS and Infrastructure:** Wanting to maintain the overall real asset exposure across Funds, a small portion was taken from commodities and allocated towards REITS and infrastructure, which Russell has a more favorable long-term view on given current capital market assumptions

The targeted effective date for these proposed glidepath changes is January 2022, when the glidepath is subject to its annual roll down. This way the roll down and proposed allocations will be made simultaneously to maximize trading efficiencies and minimize costs.

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 callers and public comment was closed.

**Action:** Moved by Commissioner Casciato, Seconded by Commissioner Driscoll, to approve proposed changes to SFDCP Target Date Funds Glidepath.

Ayes: Commissioners Bridges, Casciato, Driscoll

**5. 121521-04 Action Item SFDCP Automatic Enrollment**

Documents provided to the Committee prior to the current meeting: Staff Memorandum, Callan's Auto Features Analysis, A/E Timeline, Voya's Auto Features Presentation

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

At the Deferred Compensation Committee meeting on September 29, 2021, Staff and Callan presented an analysis of multiple deferral amount and escalation percentages options, as part of the automatic enrollment program. Based on the Committee's feedback, Staff and Consultant revised some of the options and presented them to the Deferred Compensation Committee for consideration.

Staff asked Callan to update the analysis to project the income replacement of a 1% initial deferral, escalating 1% each year up to a 5% static cap over a 35-year period. Based on their analysis, this scenario also reflects in a high likelihood of successful income replacement in retirement, and closely matches the projections for the current population.

Staff and Consultant recommended for automatic enrollment design, a starting deferral percentage of 1%, with an escalation of 1% each year, until a 5% static cap is reached.

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 callers and public comment was closed.

**Action:** Moved by Commissioner Casciato, Seconded by Commissioner Driscoll, to approve proposed revised deferral and escalation amounts for presentation at planned informational meetings with the City's labor organizations to help all members reach a goal of financial wellness.

Ayes: Commissioners Bridges, Casciato, Driscoll

**6. 121521-06 Discussion Item SFDCP Manager Report**

Documents provided to the Committee prior to the current meeting: Staff Memorandum, 2022 SFDCP Contribution Limits, Callan's Proposed Search Process.

Diane Chui Justen, Deferred Compensation Director, and Greg Ungerman, Callan, reported on the following:

- 2022 Contribution Limits
- Target Date Funds RFP
- Investments Watch List

Chair Bridges called for public comment.

There were no callers and public comment was closed.

**Action:** This is a discussion only item.

**7. 121521-07 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 ¶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 Driscoll asked to submit ideas in writing to Diane Chui Justen rather than verbalizing as it would make it clearer as a working document.

President Casciato thanked staff for their hard work and spoke about everyone's effort to move forward together.

Chair Bridges thanked President Casciato for his contributions over the years, to City Attorney Robert Bryan a thank you as well and wished staff and consultants and all Happy Holidays.

Commissioner Driscoll asked that Diane Chui Justen contact Chair Bridges about the Deferred Compensation Committee budget before it is heard in the Operations Oversight Committee meeting.

Chair Bridges called for public comment.

There were no callers and public comment was closed.

**Action:** This is a discussion only item.

**7. 121521-07**

**Adjournment**

Having no further business, the Committee adjourned the meeting at 2:30 PM

Respectfully submitted,



Jay Hujsh, Executive Director