



SFERS
San Francisco Employees' Retirement System

City and County of San Francisco
Employees' Retirement System
GOVERNANCE COMMITTEE
MINUTES

Monday, May 3, 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: 187 432 3787** 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, Friday, April 30, 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.

GOVERNANCE COMMITTEE MEMBERS

Al Casciato
Scott Heldfond
Joseph Driscoll, Chair

Jay Huish
Executive Director

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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 94102-4689
(415) 554-7724
by fax at (415) 554-7854
or by email at sotf@sfgov.org

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Governance Committee Meeting

PUBLIC COMMENT CALL-IN: **415-655-0001** Access Code: **187 432 3787**

Providing Public Comment

- 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 [187 432 3787], 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.

20 seminars with over 2500 attendees. Staff could not have accommodated that number of attendees if the seminars were in person.

Based on survey responses (from approximately 690 of the attendees), Ms. Bortnick reported that most members prefer the new format. Most attendees like that they can attend online during the noon hour. The shorter seminar time breaks topics into manageable pieces and a member can easily repeat a seminar if they desire. Attendees report that the presenters are knowledgeable and the information is presented clearly. There is some time for questions.

The survey also asked attendees what additional information they would like to receive. Consistently, the members ask SFERS to provide information on investments and how to invest. Ms. Bortnick believes that the SFDCP seminar will be extremely popular.

Retirement counseling appointments have also transitioned away from in-person meetings. They are now offered via telephone or videoconference. To determine its success with the new format, Operations Staff also created a survey to be sent to members after their retirement counseling appointment.

Ms. Bortnick announced that the newly created Quality Assurance and Risk Management Unit will send targeted surveys to members after certain transactions are completed, such as a service purchase.

The Operations Division has implemented, or is in the process of implementing, member service surveys intended to provide valuable feedback that will assist SFERS in its Strategic Plan goal to enhance the SFERS member experience.

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

Chair Driscoll called for General Public Comment.

There were no comments and public comment was closed.

Action: This is a discussion only item.

5. 050321-05 Action Item SFERS Vision Statement

Documents provided to the Committee prior to the current meeting: Staff and consultant memoranda

Ashley Dunning, Nossaman, provided an oral and written report on this item.

Ms. Dunning provided the Committee with examples of mission and vision statements to get a sense of what is out there. Ms. Dunning explained to the Committee that the difference between the vision

statement and the mission statement is that in the vision statement it is how you want to be perceived and what is most important to highlight.

SFERS has adopted the following Mission Statement:

San Francisco City and County Employees' Retirement System is Dedicated to Security, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

Ms. Dunning recommended the SFERS 2021 Vision Statement could state:

Our Vision is to be a trusted, innovative, financially sound, well-governed, dependable, ethical and transparent pension plan.

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

The Committee discussed other adjectives that might be considered and agreed to the following:

The Vision of the City and County Employees' Retirement System is to be a trusted, leading edge, financially sound, well-governed, dependable, ethical and transparent pension plan.

Commissioner Driscoll asked to include San Francisco or SFERS to the statement for identification purposes. Ms. Dunning agreed.

Chair Driscoll called for General Public Comment.

There were no comments and General Public Comment was closed.

Action: Moved by Commissioner Heldfond, Seconded by Commissioner Casciato, to approve SFERS Vision Statement.

Chair Driscoll called for General Public Comment.

There were no comments and General Public Comment was closed.

Ayes: Commissioners Casciato, Driscoll, Heldfond

6. 050321-06 Action Item Board Member Requests for Information

Documents provided to the Committee prior to the current meeting: Staff Memorandum

Jay Huish, Executive Director, prepared an oral and written report on this item.

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

Mr. Huish drafted an amendment to the *Board Communications Policy* as follows:

Board members shall submit all requests for information from staff which require research or gathering of information, in writing, to management (i.e. the Executive Director or his Executive Assistants, Deputy Executive Director or Chief Investment Officer) for consideration or action. For tracking purposes, all requests for information from staff should be copied to the Board Secretary who will monitor and report on the processing of these requests. This policy does not include routine requests for readily available information. Management shall provide the Board with a semi-annual report on the Board on the processing of Board member requests for information covered by this policy.

Commissioner Casciato requested a tracking number be assigned to requests for information.

Mr. Huish requested that Board members send their requests for information in writing to either Executive Director, Deputy Executive Director or Chief Investment Officer for assigning request for information to staff and that Board Secretary is copied on all requests for tracking purposes and follow up.

Chair Driscoll called for General Public Comment.

There were no comments and General Public Comment was closed.

Action: Moved by Commissioner Casciato, Seconded by Commissioner Heldfond, to approve recommended amendments to *Board Communications Policy* with addition of tracking number on all requests for information.

Chair Driscoll called for General Public Comment.

There were no comments and General Public Comment was closed.

Ayes: Commissioners Casciato, Driscoll, Heldfond

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| 7. 050321-07 | Action Item | Board Delegation of Investment Decision-Making Authority to Investment Staff and Executive Director |
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Documents provided to the Committee prior to the current meeting: Staff and consultants memoranda

Several Board members have expressed an interest in learning about the roles and responsibilities as well as the delegation of authority that other institutions utilize in investment decision-making.

NEPC reported on the decision-making responsibilities practiced by public pension plans.

Cambridge summarized the same practices used by endowments and foundations.

Staff expressed the opinion that the most effective and efficient management of the SFERS Trust is for Retirement Board to be a policy-making Board rather than a management-oriented body.

Staff thinks the Retirement Board should focus its duties on:

- 1- Establishing its return objectives
- 2 - Establishing its risk tolerance
- 3 - Establishing its investment policies
- 4 - Strategic asset allocation
- 5 - Engaging the Board's consultants
- 6 - Providing budget resources to meet SFERS' service objectives

Recommendation from staff:

1. That the Retirement Board delegate investment decision-making to the Chief Investment Officer as follows:
 - a. Terminating managers.
 - b. Hiring private markets managers that SFERS has invested in their two prior funds when both the IRR and multiple return rank in the first or second quartile.
 - c. Hiring public markets managers that SFERS has invested in for at least five years for another public markets strategy, where the fund SFERS is invested has outperformed its benchmark over the past 3 and 5 years.
 - d. Making co-investments, up to a maximum of 0.25% per investment and up to 2.0% of plan assets at the beginning of a fiscal year.
2. Investment actions taken as described in # 1 will be reported to the Board in the Chief Investment Report each month.
3. The Executive Director will execute the investments approved by the Chief Investment Officer as described in #1 above, that are consistent with Board approved policies.
4. The General Consultant will monitor the investments approved by the Chief Investment Officer to ensure they are consistent with Board policies and provide regular reports to the Board

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

Chair Driscoll called for General Public Comment.

There were no comments and General Public Comment was closed.

Action: Moved by Commissioner Casciato, Seconded by Commissioner Heldfond, to approve the delegation of investment decision-making authority to the Chief Investment Officer for:

- a. Terminating managers.
- b. Hiring private markets managers that SFERS has invested in their two prior funds when both the IRR and multiple return rank in the first or second quartile.
- c. Hiring public markets managers that SFERS has invested in for at least five years for another public markets strategy, where the fund SFERS is invested has outperformed its benchmark over the past 3 and 5 years.
- d. Making co-investments, up to a maximum of 0.25% per investment and up to 2.0% of plan assets at the beginning of each fiscal year subject to:
 - Staff bringing back to the full Board a Co-Investment Policy Statement as well as a clear definition of the decision-making process.
 - Board and staff agreeing to work towards developing decision-making skills.
 - Hiring plan for additional investment staff to support Co-Investments.

Chair Driscoll called for General Public Comment.

There were no comments and General Public Comment was closed.

Ayes: Commissioners Casciato, Driscoll, Heldfond

8. 050321-08 Discussion Item Governance Committee Member Good of the Order

Committee 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 Committee 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 thanked staff, consultants and attorneys and commended Commissioner Driscoll for his time commitment in attending schools.

Chair Driscoll called for General Public Comment.

There were no comments and General Public Comment was closed.

Action: This is a discussion only item.

9. 050321-09

Adjournment

Having no further business, the
Committee adjourned the meeting at 3:53 PM