



## City and County of San Francisco Employees' Retirement System

### DEFERRED COMPENSATION COMMITTEE MINUTES

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**Wednesday, April 12, 2023**

1145 Market Street, 6th Floor

San Francisco, CA 94103

1:00 PM

Members of the Committee will attend this meeting in-person. Members of the public attending the meeting in person will have an opportunity to provide public comment on every item. There will not be an opportunity for members of the public to provide public comment remotely by phone or online, except for members of the public who have received an accommodation due to disability (as described below).

Members of the public may attend the meeting to observe and provide public comment at the physical meeting location listed above.

#### **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

Joseph Driscoll

A.J. Thomas

Alison Romano, CEO & CIO

## Deferred Compensation Committee Minutes

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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, Board Secretary, at (415) 487-7012. Written reports or background materials for calendar items are available for public inspection and are available online at <https://mysfers.org/about-sfers/retirement-board/>.

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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](mailto:sotf@sfgov.org)

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#### **Lobbyist Registration and Reporting Requirements:**

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1. **Roll Call**
- |                       |         |
|-----------------------|---------|
| Commissioner Bridges  | 1:12 PM |
| Commissioner Driscoll | 1:12 PM |
| Commissioner Thomas   | 1:12 PM |

2. **Communications**

Health and safety protocols along with building rules were read aloud.

3. **041223-03** **General Public Comment**

Chair Bridges called for General Public Comment.

No public present, General Public Comment was closed.

4. **041223-04** **Action Item** **Approval of the Minutes of the February 22, 2023 Deferred Compensation Committee Meeting**

Documents provided to the Retirement Board prior to the current meeting: Draft Minutes of the February 22, 2023 Deferred Compensation Committee Meeting.

Chair Bridges called for Public Comment.

No public present, Public Comment was closed.

**Action:** Moved by Commissioner Driscoll, seconded by Commissioner Thomas, to approve Minutes of the February 22, 2023 Deferred Compensation Committee Meeting.

Ayes: Commissioners Bridges, Driscoll, Thomas

5. **041223-05** **Action Item** **Approval of Target Date Funds glidepath and Tactical Asset Allocation bands**

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum and T Rowe Price presentation.

Diane Chui Justen, Deferred Compensation Director; Andrew Jacobs Van Merlen, T Rowe Price; Ben Taylor, Callan, provided an oral and written report on this item.

On October 20, 2022, the Retirement Board voted to approve T Rowe Price as the incoming Target Date Fund Investment Manager after an extensive Request for Proposal search process. Since then, Staff and Callan, Investment Consultant, have been working closely with T Rowe Price on designing an optimal custom glidepath for the SFDCP Target Date Funds, and also with Voya, SFDCP Recordkeeper, on the implementation roll-out.

On March 16, 2023, the Deferred Compensation Committee meeting received a preliminary recommendation of the Target Date Fund's glidepath. Upon receiving the presentation, the Committee expressed consensus on the glidepath methodology and approach, which allowed Staff to continue refining the data to complete the asset allocation design. Since then, all remaining data and factors have been reconciled, additional case studies have been evaluated, and T Rowe Price has finalized their glidepath recommendation.

Andrew Jacobs van Merlen, CFA and lead portfolio manager of custom TRP Target Date Funds, presented the SFDCP TDF glidepath recommendation to the Deferred Compensation Committee.

The Deferred Compensation Committee also received a presentation on proposed guidelines and implementation of tactical asset allocation (TAA) and option to utilize TAA was included in T Rowe Price's proposed fee structure. Callan and TRP proposed initial guidelines and target positions of +5% / -5% from the glidepath across stocks, bonds and cash, and a sub-asset class level variance of +10% / -10% from their neutral allocations.

Staff also presented how tactical asset allocation (TAA) has added value to Target Date Funds, along with historical examples of outperformance, and a demonstrated relatively modest contribution to overall tracking error.

The Committee engaged in a question and answer session.

Chair Bridges called for Public Comment.

No public present, Public Comment was closed.

**Action:** Moved by Commissioner Thomas, seconded by Commissioner Driscoll, to approve glidepath and Tactical Asset Allocation bands and forward with a recommendation for approval to the full Retirement Board.

Ayes: Commissioners Bridges, Driscoll, Thomas

**6. 041223-06 Discussion Item Preview of Target Date Fund Marketing Campaign**

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum and TDF marketing presentation.

Diane Chui Justen, Deferred Compensation Director; Kevin Rudman, Voya Financial; Victoria Fung, T Rowe Price, presented the Target Date Fund communication materials, timeline, and participant opt-out experience to the Deferred Compensation Committee.

In preparation for the Target Date Fund investment manager transition to T Rowe Price in July, Staff, Voya and T Rowe Price have been working steadily on participant notifications, a Target Date Fund (TDF) education campaign, and a TDF reenrollment opt out process.

Given the new 2015 and 2020 TDF vintages in early retirement and a target retirement age of 65, the Deferred Compensation Committee approved a TDF reenrollment to map participants into the appropriately aged vintage according to their birthyear. As part of the TDF manager transition, some SFDCP participants may be moved to a different TDF vintage depending on whether they are currently in the vintage.

It is possible for some participants to purposely choose an earlier target date fund, such as Police and Fire having an earlier retirement age compared to miscellaneous employees. For participants who prefer to stay within their selected TDF vintage, a new microsite is being created to allow any participant to opt out of the TDF reenrollment. This opt-out election website, [www.sfdcpselect.com](http://www.sfdcpselect.com), will be launched in mid-May and participant elections will be captured until June 16 and will be exercised on June 30, 2023. Those who miss the June 16 deadline can simply change their TDF vintage after July 1. Participants can always change their investment elections anytime on [www.sfdcp.org](http://www.sfdcp.org), subject to market timing restrictions.

The Committee engaged in a question and answer session.

Chair Bridges called for Public Comment.

No public present, Public Comment was closed.

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

**7. 041223-07 Discussion Item Cybersecurity update**

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Charles Griffin Bio, Voya presentation, DOL's Cybersecurity Program Best Practices, DOL's Online Security Tips.

Diane Chui Justen, Deferred Compensation Director; Charles Griffin, Voya, presented an oral and written report on this item.

As a governmental 457b deferred compensation plan, the SFDCP is not subject to ERISA, however, we do try and impart the spirit of ERISA whenever possible, particularly when it best serves participants. According to the DOL, ERISA requires plan sponsors and fiduciaries to prudently select and monitor service providers with strong cybersecurity practices. Staff has requested Voya, SFDCP Recordkeeper, to prepare a presentation to discuss how they are armed against fraud and what cybersecurity measures are in place.

Mr. Charles Griffin, a Certified Information Systems Security Professional, Voya's Information Technology Security Consultant, provided a Cyber security overview and addressed the 12-point best practices.

The Committee engaged in a question and answer session.

Chair Bridges called for Public Comment.

No public present, Public Comment was closed.

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

**8. 041223-08                      Discussion Item      Automatic enrollment update**

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, 2021 Automatic Enrollment Roadmap.

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

T Rowe Price, as our new TDF provider, has taken a deep dive in the analysis of our Plan and CCSF employee demographics, factoring in all inputs and researching real costs in retirement, to provide a more customized glidepath and a refined income replacement target. As such, this updated income replacement carries over to the recommended deferral percentage. At the Committee's direction, once T Rowe Price is in place as the SFDCP Investment Manager, Staff, Callan and TRP can work together to provide an updated recommendation on Automatic Enrollment. This recommendation can include a review of the rationale for automatic enrollment, considerations for implementing the program and proposed deferral rates.

The TDF manager plays a critical role in the automatic enrollment program as Target Date Funds are the default investment alternative for the SFDCP. The TDF manager designs the glidepath asset allocation based on the projected income replacement needed to complement any shortfall in retirement income from pension and social security benefits. That income replacement percentage helps inform the ideal DC deferral percentage participants should make in order to fill that gap for a more comfortable retirement.

The Committee engaged in a question and answer session.

Meet and confer with DHR and the Unions was discussed.

Commissioner Bridges asked CEO & CIO to work with staff to prepare recommendation to come back to the Committee to refresh timeline, game plan, decision points, etc.

Chair Bridges called for Public Comment.

No public present, Public Comment was closed.

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

**9. 041223-09                      Discussion Item                      Deferred Compensation Committee Member Good of the Order**

Commissioner Driscoll stated that while the TDF is under review that all other components within the TDF will be reviewed as well.

Commissioner Thomas expressed his appreciation to the Deferred Compensation staff for responding to his questions and that it has been an exceptionally good experience.

Ms. Romano, CIO & CIO, gave special thanks to the Deferred Compensation Committee and thanked Chair Bridges for her leadership.

Chair Bridges called for Public Comment.

No public present, Public Comment was closed.

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

**10. 041223-10**

**Adjournment**

Having no further business, the Committee adjourned the meeting at 3:24 PM.