



SFERS

San Francisco Employees' Retirement System

City and County of San Francisco Employees' Retirement System

RETIREMENT BOARD MEETING

MINUTES

Thursday, June 15, 2023

1145 Market Street, 6th Floor

San Francisco, CA 94103

11:00 AM

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 11:45 a.m.

Members of the Board 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 be an opportunity for members of the public to provide public comment remotely by phone or online. 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, Monday, June 12, 2023 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

Leona Bridges

Joseph Driscoll

Shruti Gandhi

Scott Heldfond, Vice President

Tim O'Connor

Ahsha Safaí, President

A.J. Thomas

Alison Romano, CEO & CIO

Retirement Board Meeting

PUBLIC COMMENT CALL-IN: 415-655-0001

Access Code: 2595 508 9309

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 [**2595 508 9309**], then '#’.
- 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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OPENING CALENDAR

1. Roll Call	Commissioner Leona Bridges	11:15 AM
	Commissioner Joseph Driscoll	11:05 AM
	Commissioner Shruti Gandhi	11:05 AM
	Commissioner Scott Heldfond	11:05 AM
	Commissioner Tim O’Connor	11:05 AM
	Commissioner Ahsha Safaí	12:25 PM
	Commissioner A.J. Thomas	11:05 AM

2. Communications

Announcement regarding public comment periods during meeting.

3. 06-15-23 Discussion Item CLOSED SESSION

Commissioner Heldfond announced that the Retirement Board would be going into Closed Session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

The Board entered Closed Session #3 – Action Item - Investments: Possible Recommendation and/or Action on Sale and Purchase of Particular, Specific Pension Fund Investment under California Government Code Section 54956.81 (4 investments) at 11:10 AM.

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: Commissioners Bridges, Driscoll, Heldfond, Gandhi, O’Connor, Thomas; Alison Romano, CEO & CIO; Caryn Bortnick, Chief Operating Officer; Kurt Braitberg, Managing Director, Public Markets; David Francl, Managing Director, Absolute Return; Tanya Kemp, Managing Director, Private Markets; Eunice McHugh, Director, Public Markets; Chris Chow, Director, Private Markets; Andrew Collins, Director, Public Markets; Brady Jewett, Chris Terrazzano, Associate Portfolio Managers; Kien Trinh, Henry Toothman, Investment Officers; Cecilia Mangoba, Molly Nordale, Deputy City Attorneys; Darlene Armanino, Board Secretary; Paul Nkamsi, IT Operations.

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**: Han Pham, Director, Public Equity; Justin Lo, Director, Private Markets; Ba Do, Investment Manager; Rishi Garbharran, Senior Portfolio Manager;

Alo Martins, Jiada Tu, Associate Portfolio Managers; Kevin Cao, Patrick Li, Investment Officers; Xuanfu Lu, Investment Fellow; Tran Ly, Jessica Lo, Deputy City Attorneys; Richard Grimm, Michael Brand, Marc Cardillo, Cambridge; Dan Hennessy, NEPC.

The Board ended Closed Session at 11:55 AM

The Board returned to Open Session at 12:00 PM

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Driscoll, seconded by Commissioner Gandhi, not to disclose any discussions held in Closed Session under San Francisco Administrative Code Section 67.12(a).

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, O'Connor, Thomas

Absent: Commissioner Safaí

4. 061523-04 General Public Comment – Not earlier than 11:45 a.m.

General Public Comment was called.

There were no comments from the public and General Public Comment was closed.

5. 061523-05 Action Item Approval of the Minutes of the May 18, 2023 Retirement Board Meeting

Documents provided to the Retirement Board prior to the current meeting: Draft Minutes of the May 18, 2023 Retirement Board Meeting.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Driscoll, seconded by Commissioner Thomas, to approve the Minutes of the May 18, 2023 Retirement Board Meeting.

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, O'Connor, Thomas

Absent: Commissioner Safaí

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 requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

6.	061523-06	Action Item	Consent Calendar
	061523-06a	Action Item	Voluntary Retirement Board List No. 12-22
	061523-06b	Action Item	Decisions of Hearing Officers

Documents provided to the Retirement Board prior to the current meeting: Voluntary Retirement Board List, Decisions, Travel Request.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

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

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, O'Connor, Thomas

Absent: Commissioner Safaí

Commissioner Heldfond announced break at 12:10 pm to return at 12:25 pm

President Safaí arrived at 12:25 pm and resumed Open Session

ADMINISTRATION CALENDAR

7.	061523-07	Action Item	Election of Retirement Board President
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Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum

President Safaí commented that he was happy to hand over the gavel to Vice President Heldfond as President of the Retirement Board and recognized staff, consultants and commissioners for their hard work.

Vice President Heldfond spoke about President Safaí being instrumental in hiring our new CEO & CIO.

Alison Romano, CEO & CIO, thanked President Safaí on behalf of staff and herself for his leadership.

Commissioner Thomas thanked President Safaí for guiding him when he first started as Commissioner and recognized the challenge of being both a member of the Board of Supervisors and the Retirement Board in a leadership role.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Driscoll, seconded by Commissioner Thomas, to nominate Commissioner Heldfond as Retirement Board President.

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, O'Connor, Safaí, Thomas

8. 061523-08 Action Item Election of Retirement Board Vice President

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

Public Comment was called.

Fred Sanchez, President of Protect our Benefits, congratulated President Heldfond and Vice President Thomas and also thanked Commissioner Safaí in his leadership in getting back the supplemental COLA. Mr. Sanchez commented that the Retirement Board is the best Board in the City.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Driscoll, seconded by Commissioner O'Connor, to nominate Commissioner Thomas as Retirement Board Vice President.

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, O'Connor, Safaí, Thomas

9. 061523-09 Action Item Establish Schedule for FY2024 Retirement Board Meetings

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

Alison Romano, Chief Executive Officer & Chief Investment Officer, reported that the Board approved an amended schedule on September 15, 2022 for the remainder of the fiscal year 2023 due to a conflict with President Safaí's obligations at the Board of Supervisors.

The Board considered the following options for FY2024:

Option 1: Revert back to Board policy, with Board meetings held on the 2nd Wednesday of each month at 1:00PM, starting in August 2023. Continue in July with the meeting on the 3rd Thursday.

Option 2: Revert back to Board policy, with Board meetings held on the 2nd Wednesday of each month at 1:00PM, starting in September 2023. Continue in July and August with the meeting on the 3rd Thursday.

Option 3: For FY2024, continue with the amended schedule of having meetings at 11:00am on the third Thursday of every month.

The Board engaged in a question and answer session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Thomas, seconded by Commissioner Gandhi, to approve Board meetings to be held on the 2nd Wednesday of each month at 11:00 AM, starting in September 2023 and to continue in July and August with the meeting on the 3rd Thursday at 11:00 AM.

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, O'Connor, Safaí, Thomas

Commissioner Safaí left meeting at 12:45 PM

Commissioner Bridges left the meeting at 12:45 PM and returned at 12:50 PM

10. 061523-10 Action Item Review of SFERS Strategic Plan

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, 2024-2026 Strategic Plan.

Alison Romano, Chief Executive Officer & Chief Investment Officer, reported the strategic plan is the framework by which the SFERS organization will conduct its business, prioritize initiatives and allocate both human capital and financial resources. This plan is deliberately designed to be clear and concise so that everyone at SFERS understands the goals and objectives of the organization. This plan also serves as guide for the CEO/CIO and Board to prioritize project requests from individual Board members.

The Board engaged in a question and answer session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Driscoll, seconded by Commissioner O'Connor, to approve strategic plan.

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, O'Connor, Thomas

Absent: Commissioner Safaí

11. 061523-11 Action Item Discuss Investment Delegation Survey and Approve Staff Recommendation

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Nossaman Delegation Survey, Cambridge Delegation Analysis, CEO/CIO Delegation Presentation and Recommendation.

Alison Romano, CEO & CIO and Ashley Dunning, Nossaman, prepared an oral and written report on this item.

Ms. Romano communicated with the Board the importance of reviewing the governance structure and approach to investment delegation. The review process included four key steps: (1) Engagement with the SFERS governance consultant to consider fiduciary duty vis-à-vis delegation, (2) Evaluation of current peer practices, (3) Evaluation of strengths and identify any potential gaps at SFERS with respect to the depth of investment capabilities, the complexity of the investments, the investment processes and controls and (4) Resolution of identified gaps through policy, processes and controls.

Ashley Dunning, Nossaman, presented the results of the survey they conducted on SFERS behalf.

Ms. Romano requested that the Board approve Staff's recommendation to develop policies based on delegation Option 4. With this approval, the required policies would be edited with specific language and presented for Board approval in a future Board meeting.

Option 1: Status Quo

- No change to delegation model
- All investment funding recommendations, co-investments and terminations presented to Board for approval
- Authority over asset allocation and investment policy

Option 2: Full Delegation

- Delegate manager selection, termination and allocation to CEO/CIO
- Maintain oversight of delegation
- Maintain authority over asset allocation and investment policy

Option 3: Partial Delegation

- Delegate specific investment decisions to CEO/CIO, with constraints
- Maintain oversight of delegation
- Maintain authority over asset allocation and investment policy

Option 4: Partial Delegation, Phase-In

- Delegate specific investment decisions to CEO/CIO, with constraints
- Phase in the level of delegation
- Maintain oversight of delegation
- Maintain authority over asset allocation and investment policy

The Board engaged in a question and answer session.

It was discussed that Staff will come back with language in a red-lined version of the Investment Policy Statement to reflect delegation as proposed in Option 4 and calendar that in a year's time the Board will evaluate approval of the second phase of delegation.

Public Comment was called.

Fred Sanchez, Protect our Benefits, spoke in favor of delegation but expressed his concern with monitoring checks and balances and then waiting a year as there may be a red flag in the interim.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Thomas, seconded by Commissioner Bridges, to direct staff to further develop Option 4 including comments to be brought back to the full Board for approval.

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, O'Connor, Thomas

Absent: Commissioner Safaí

12. 061523-12 Discussion Item Discussion of the new Low-Default-Risk Obligation Measure (LDRM) to be disclosed in the July 1, 2023 Actuarial Funding Valuation Report

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Cheiron's presentation "Actuarial Standards of Practice No. 4 Revisions."

Janet Brazelton, Actuarial Services Coordinator, reported that the purpose of this presentation is to educate the Board on changes to the Actuarial Standards of Practice (ASOPs) that will impact SFERS.

Actuarial Standards of Practice, No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, has been updated to require additional disclosures including a low-default-risk obligation measure. This new LDRM disclosure primarily impacts public sector pension plans as private sector plans have already been required to measure both accounting and funding obligations/liabilities using high quality corporate bond yields for years.

Bill Hallmark, Anne Harper, Cheiron presented the new disclosure requirements.

The Board engaged in a question and answer session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: This is a discussion only item.

13. 061523-13 Discussion Item Chief Executive Officer's Report

Documents provided to the Retirement Board prior to the current meeting: Retirement Board Forward Calendar, Request for Proposal in Progress Blackout Period, and Public Retirement Conferences.

Alison Romano, Chief Executive Officer & Chief Investment Officer, provided an administrative update:

- Committee Meetings will be set for following year at next month's Board meeting
- Move Board action items to earlier in the meeting where possible
- Service Credit Ordinance for time in the military has passed
- Enhancing culture at SFERS is a focus. As an example, a group recently attended a ball game, and the organization will continue to have more events and town halls

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: This is a discussion only item.

DEFERRED COMPENSATION PLAN CALENDAR

14. 061523-14 Discussion Item Deferred Compensation Committee Report

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

Commissioner Leona Bridges, Chair of the Deferred Compensation Committee, reported at their meeting of May 17, 2023, the Deferred Compensation Committee:

- Approved the Minutes of the April 12, 2023, Deferred Compensation Committee Meeting.
- Approved staff’s recommendation of the proposed additions and removals of the underlying Target Date Fund investment managers, and forwarded to the Full Board with a recommendation of Approval.
- Approved staff’s recommendation to approve edits to the SFDCP Investment Policy Statement, and forwarded to the Full Board with a recommendation of Approval.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: This is a discussion only item.

15. 061523-15 Action Item Manager Recommendations for underlying Target Date Fund Investments

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

Steve Moy, Deferred Compensation Manager, Greg Ungerman, Callan presented an oral and written report on this item.

Callan recommended the below managers for consideration and T Rowe Price, SFDCP Staff and SFERS investment staff are supportive of the recommendation:

1. International Bond (USD Hedged) – PIMCO International Bond USD-Hedged
2. Global Unconstrained Bond – Blackrock Strategic Income Opportunities
3. Long Duration Treasuries – Fidelity Long-Term Treasury Bond Index
4. Short TIPS – Vanguard Short-Term Inflation Protected Securities

On April 20, 2023, the Retirement Board approved the Target Date Funds glidepath and asset allocation, which included replacing the TIPS and Short term bond allocation with Short TIPS instead. The percentage allocation to DFA Inflation Protected Securities and Allspring Short Duration Government Bond will be reduced to zero which will be in effect on July 1.

The Board engaged in a question and answer session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Bridges, seconded by Commissioner Driscoll, to approve proposed additions and removals of the underlying Target Date Fund Investment managers.

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, O'Connor, Thomas

Absent: Commissioner Safaí

16. 061523-16 Action Item SFDCP Investment Policy Statement

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, SFDCP Investment Policy Statement – redline.

Steve Moy, Deferred Compensation Manager and Greg Ungerman, Callan, reported that they are not proposing any material changes at this time. The only recommended change was to update Benchmark references specific to the name change for the Bloomberg Aggregate Index as they have since dropped “Barclays” from the name.

The Board engaged in a question and answer session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Thomas, seconded by Commissioner Bridges, to approve Investment Policy Statement.

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, O'Connor, Thomas

Absent: Commissioner Safaí

17. 061523-17 Discussion Item San Francisco Deferred Compensation Plan Manager Report

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

Steve Moy, Deferred Compensation Manager, reported on the following:

- Target Date Fund Investment Manager Transition
- Monthly Activity Report

The Board engaged in a question and answer session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: This is a discussion only item.

INVESTMENT CALENDAR

18. 061523-18 Discussion Item Chief Investment Officer's Report

Documents provided to the Retirement Board prior to the current meeting: CIO Report, Plan Value Report.

Alison Romano, CEO & CIO, provided report on Plan Value and reported that the Investment Committee meeting is scheduled for July 12th.

Commissioner Thomas requested that a one page narrative be included in the CIO Report moving forward.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: This is a discussion only item.

19. 061523-19 Discussion Item Report on Investment Performance of the Retirement Fund for the quarter ended March 31, 2023.

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, NEPC – Executive Summary: Quarterly Performance Review, NEPC – Investment Performance Analysis.

Kurt Braitberg, Managing Director, Public Markets, Dan Hennessy, NEPC, provided an oral and written report on this item.

Dan Hennessy, NEPC, provided a detailed review of the market environment as well as risk and return information at the Total Fund and Asset Class levels.

The Board engaged in a question and answer session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: This is a discussion only item.

20. 061523-20 Discussion Item Retirement Board Member Good of the Order

President Heldfond thanked the Board members for their confidence and looked forward to working with them in the new role.

Commissioner Driscoll commented he does not want the public to misunderstand what the Board does with the issue of benefits. Commissioner Driscoll reported that the Board in the meeting was complimented for benefit improvement but wants the public to understand that the Board is restricted from improving benefits but rather execute what the law says.

Public Comment was called.

Fred Sanchez, Protect our Benefits, welcomed Tim O'Connor to the Retirement Board and stated that he was looking forward to working with him and the Board.

There were no further comments from the public and Public Comment was closed.

Action: This is a discussion only item.

21. 061523-21

Adjournment

Having no further business, the Board adjourned the meeting at 3:10 PM