



SFERS

San Francisco Employees' Retirement System

City and County of San Francisco Employees' Retirement System

RETIREMENT BOARD MEETING

MINUTES

Wednesday, December 13, 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 11:30 am.

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. In addition to in-person public comment, members of the public may provide public comment remotely by phone. The Board will hear remote public comment on each agenda item in the order that commenters add themselves to the queue to comment on the item.

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, President

Tim O'Connor

Ahsha Safaí

A.J. Thomas, Vice President

Alison Romano, CEO & CIO

Retirement Board Meeting

PUBLIC COMMENT CALL-IN: 415-655-0001

Access Code: 2663 414 9768

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 [2663 414 9768], press '#' 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.

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(Chapter 67 of the San Francisco Administrative Code)

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OPENING CALENDAR

1. Roll Call	Commissioner Leona Bridges	11:09 AM
	Commissioner Joseph Driscoll	11:00 AM
	Commissioner Shruti Gandhi	Absent
	Commissioner Scott Heldfond	11:00 AM
	Commissioner Tim O'Connor	11:00 AM
	Commissioner Ahsha Safaí	12:50 PM
	Commissioner A.J. Thomas	11:00 AM

2. Communications

Announcement regarding public comment periods during meeting.

3. 121323-03 Discussion Item CLOSED SESSION

President 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(a) – Discussion Item – Personnel at 11:04 AM

The following individuals were present for discussion regarding Actuarial Services Coordinator Mid-Year Performance Evaluation for Janet Brazelton: Commissioners O'Connor, Thomas, Heldfond, Driscoll, Bridges; Alison Romano, CEO & CIO; Janet Brazelton, Actuarial Services Coordinator; Cecilia Mangoba, General Counsel.

The following individuals were present for discussion regarding Actuarial Services Coordinator Mid-Year Performance Evaluation for discussion regarding CEO & CIO Mid-Year Performance Evaluation for Alison Romano: Commissioners O'Connor, Thomas, Heldfond, Driscoll, Bridges; Alison Romano, CEO & CIO; Cecilia Mangoba, General Counsel; Ashley Dunning, Nossaman.

The Board entered Closed Session 3(b) – Action Item: Possible Recommendation and/or Action on Sale and Purchase of Particular, Specific Pension Fund Investment under California Government Code Section 54956.81 at 11:25 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 54956.813(b): Commissioners O'Connor, Thomas, Heldfond, Driscoll, Bridges; Alison Romano, CEO & CIO; Cecilia Mangoba, General Counsel; Caryn Bortnick, Chief Operating Officer; Andrew Collins, Director, Public Markets; Blake Broadnax, Investment Officer; Chris Terrazzano, Associate Portfolio Manager; Jiada Tu, Associate Portfolio Manager; Kien Trinh, Investment Officer; Lu Chang, Investment Officer; Tanya Kemp, Managing Director, Private Markets; Han Pham, Director, Public Markets; Patrick Li, Investment Officer; David Francl, Managing Director, Absolute Return; Anna Langs, Managing Director, Asset Allocation, Risk Management and Innovative Solutions; Brady Jewett, Associate Portfolio Manager; Henry Toothman, Investment Officer; Eunice McHugh, Director, Public Markets; Kurt Braitberg, Managing Director, Public Markets; Ali Kazemi, Tom Toth, Wilshire; 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: Richard Grimm, Anita Ng, Jessica Lo, Cambridge; Lauren Gellhaus, Wilshire.

The Board ended Closed Session at 11:35 AM

The Board returned to Open Session at 11:40 AM

Public Comment was called.

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

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

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

Absent: Commissioners Gandhi, Safaí

4. 121323-04 General Public Comment

General Public Comment was called.

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

5. 121323-05 Action Item Approval of the Minutes of the November 8, 2023 Retirement Board Meeting

Documents provided to the Retirement Board prior to the current meeting: Draft Minutes of the November 8, 2023 Retirement Board Meeting.

Public Comment was called.

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

Action: Moved by Commissioner Thomas, seconded by Commissioner Driscoll, to approve the Minutes of the November 8, 2023 Retirement Board Meeting.

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

Absent: Commissioners Gandhi, Safai

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.	121323-06	Action Item	Consent Calendar
	121323-06a	Action Item	Voluntary Retirement Board List No. 6-23
	121323-06b	Action Item	Decisions of Hearing Officers
Applicant-A Effective Date: 06/06/2023	Q004 Police Officer III Police		Death as Result of Duty Granted
Applicant--B Effective Date: 12/01/2021	7540 Track Maintenance SFMTA		Ordinary Disability Retirement /Stip Granted
Applicant--C Effective Date: 01/01/2023	Q004 Police Officer III Police		Industrial Disability Retirement Granted
Applicant--D Effective Date: 06/27/2020	H004 Insp, Fire Dept Fire		Industrial Disability Retirement/Stip Granted
Applicant--E	8310 Sheriff's Lieutenant		CalPERS Disability Retirement

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Effective Date: PERS	Sheriff	Certified
Applicant--F Effective Date: 03/31/2019	H020 Lieutenant, Fire Suppression Fire	Industrial Disability Retirement/Stip Granted
Applicant--G Effective Date: 05/05/2023	Q052 Sergeant III Police	Industrial Disability Retirement Granted
Applicant--H Effective Date: 07/01/2020	Q004 Police Officer III Police	Industrial Disability Retirement/Stip Granted
Applicant--I Effective Date: 06/16/2023	2905 HSA Senior Eligibility Worker HSA	Ordinary Disability Retirement /Stip Granted
Applicant--J Effective Date: 06/23/2023	Q004 Police Officer III Police	Industrial Disability Retirement Granted
Applicant--K Effective Date: 02/01/2023	Q002 Police Officer Police	Industrial Disability Retirement Granted
Applicant--L Effective Date: 11/02/2018	1426 Senior Clerk Typist SFPUC	Ordinary Disability Retirement Granted (VR 07-16-2019)
Applicant--M Effective Date: 10/16/2021	H020 Lieutenant, Fire Suppression Fire	Industrial Disability Retirement/Stip Granted

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

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 Consent Calendar.

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

Absent: Commissioners Gandhi, Safai

ADMINISTRATION CALENDAR

7. 121323-07 Action Item Schedule of 2024 Retirement Board Meetings

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

Alison Romano, CEO & CIO, presented a schedule of Retirement Board meetings for 2024 with an 11:00 AM start time on the second Wednesday of each month for consideration by the Board.

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 O'Connor, to approve Board Meetings be held on the 2nd Wednesday of each month, at 11:00 AM, for the full 2024 Calendar year.

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

Absent: Commissioners Gandhi, Safaí

8. 121323-08 Discussion Item Personnel Committee Report

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

Commissioner O'Connor, Chair of the Personnel Committee, reported that the Committee met on December 6, 2023 and discussed the following:

- Approved the Minutes of the June 20, 2023, Personnel Committee Meeting
- Approved recommendation to the Board revisions to Executive Director Performance Evaluation Policy and the Actuarial Services Coordination Policy
- Held a Closed Session discussion regarding Actuarial Services Coordinator Performance Evaluation for Janet Brazelton
- Held a Closed Session meeting discussion regarding CEO & CIO Performance Evaluation for Alison Romano

Public Comment was called.

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

Action: This is a discussion item only.

**9. 121323-09 Action Item Approve Executive Director and Actuarial Services
Coordinator Performance Evaluation Policies**

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Executive Director Performance Evaluation Policy – redlined, Actuarial Services Coordinator Performance Evaluation Policy.

Alison Romano, CEO & CIO, presented revisions to the Executive Director Performance Evaluation Policy and presented an Actuarial Services Coordinator Performance Evaluation Policy which the Personnel Committee had previously reviewed at their last meeting which was presented to the full Board for approval.

Public Comment was called.

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

Action: Moved by Commissioner O’Connor, seconded by Commissioner Thomas, to approve revisions to the Executive Director Performance Evaluation Policy and the Actuarial Services Coordinator Performance Evaluation Policy.

Ayes: Commissioners Bridges, Driscoll, Heldfond, O’Connor, Thomas

Absent: Commissioners Gandhi, Safaí

10. 121323-10 Discussion Item Chief Executive Officer’s Report

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Retirement Board Forward Calendar for January 2023 to June 2024, Public Retirement Conferences and Training Programs for SFERS Trustees – Nossaman LLP.

Alison Romano, CEO & CIO, reported that the trial court issued a final statement of decision in the City’s favor in the class action lawsuit that was discussed in April in the matter of *Carroll v. City and County of San Francisco*.

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

11. 121323-11 Action Item Investment Fee Update

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Callan’s Investment Fee Memo.

Diane Chui Justen, Deferred Compensation Director and Greg Ungerman, Callan, provided an oral and written report recommending moving to a lower cost share class on two additional index funds within the SFDCP.

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 moving the Northern Trust Aggregate Bond Index and Northern Trust SMID Cap Index into the lowest cost CIT vehicles.

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

Commissioner Bridges left Board Room at 11:59 AM and returned at 12:05 PM

12. 121323-12 Discussion Item San Francisco Deferred Compensation Plan Monthly Report

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, October 2023 Monthly Activity Report, Samples of 2024 Contribution Limit materials, Q3 Plan Review.

Diane Chui Justen, Deferred Compensation Director, reported on the Monthly Activity Report, 2024 Contribution Limits, and provided an update on SFDCP Counselors.

Bishop Bastian, Voya, presented the Quarterly Plan Review as of September 30, 2023.

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.

President Heldfond announced a 15 minute break at 12:10 PM

The Board resumed Open Session at 12:31 PM

INVESTMENT CALENDAR

**13. 121323-13 Discussion Item Report on Investment Performance of the Retirement Fund
for the quarter ended September 30, 2023**

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Wilshire Advisors LLC – SFERS’ Quarterly Performance Summary.

Ali Kazemi and Tom Tooth, Wilshire, reported on Investment Performance of the Retirement Fund for the quarter ended September 30, 2023.

For the quarter ended September 30, 2023, the Retirement Fund was valued at \$33.5 Billion. The net of fee total returns for the quarter and the trailing one-year were -0.97% and 6.36%, respectively.

Wilshire’s Quarterly Performance Summary report 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.

Commissioner Safai arrived at the Board Meeting at 12:50 PM

14. 121323-14 Discussion Item Annual ESG Update

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

Kurt Braitberg, Managing Director, Public Markets, Andrew Collins, Director of ESG Investing, presented an annual update on the ESG Platform, including an update on all three pillars of the SFERS ESG Platform, covering Active Ownership, ESG in Investment Management, and Collaboration & Communication for a Sustainable Economy.

The 2023 ESG Platform update included information on areas of progress in ESG over 2023, active ownership case studies, ESG investment initiatives, highlights of ESG partnerships, and an update on the 2050 net zero asset owner ambition.

SFERS continues to be a leader in incorporating environmental, social, and governance (ESG) factors into the management of plan assets.

SFERS' three pillar ESG Platform, which focuses on Active Ownership, ESG in Investment Management and ESG Collaboration & Communication for a Sustainable Economy, is designed to enhance long-term returns and reduce risk through partnership and engagement with companies, asset managers, and ESG partners.

SFERS furthered its commitment to ESG integration by undertaking a range of initiatives during 2023 under each of the pillars of the ESG Platform.

The Board engaged in a question and answer session.

Commissioner Thomas commented on a topic of concern in many of his trustee trainings over the last year, specifically measuring risks in private investment space around labor disputes impacting returns from investments. He asked how SFERS measures and monitors the risks from a lack of labor peace agreements and labor disputes.

Andrew Collins, Director of ESG, commented that measuring these ESG risks is part of the qualitative review of investment managers that SFERS allocates to, and the key is to understand the managers' approach to this topic to mitigate any risks.

Commissioner Safaí asked when assessments are done on investments if Staff reaches out to other organizations on how they handle labor disputes and if they have labor agreements that they honor.

Mr. Andrews responded that they do reach out to other organizations and gave a few examples of potential cases and questions they would ask.

Public Comment was called.

Jordan Greenslade, Senior Field Director with Worker Power, spoke about the labor disputes with hospitality workers who have gone on strike with hotels owned by Blackstone and Fortress Investment Group and urged the Board to publicly inform the firms that the Fund will not reinvest with them until these labor disputes are resolved.

Crystal Padilla, a cook at the Sheraton in Phoenix and member of Local II United Here, spoke about her struggles with the high cost of living and low wages and wanting Blackstone to resolve the labor disputes.

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

Action: This is a discussion only item.

Commissioner O'Connor left Board Room at 1:33 PM and returned at 1:42 PM

President Heldfond left Board Room at 1:35 PM and returned at 1:44 PM

**15. 121323-15 Action Item Approval of Annual Update on Fossil Fuel Investments
Engagement and Restrictions**

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

Andrew Collins, Director of ESG Investing, provided an oral and written report on this item.

For 2023, application of the Climate Transition Risk Framework has resulted in the following:

- No new companies were added to the list of restricted oil & gas companies.
- Removal of 3 companies from the list of restricted companies because they showed improved performance on the metrics used by the framework to determine investment restriction.
- Removal of 1 company from the list of restricted companies because it is no longer publicly traded.
- Removal of 2 companies from the list of restricted companies because they have been acquired.
- Identification of 36 companies for SFERS' "Climate Transition Watch List" due to elevated climate transition risks.
- Identification of 6 Watch List companies where Staff intends to prioritize engagement due to SFERS' more meaningful equity exposure and/or ongoing engagements.

Staff detailed the performance impact of not owning restricted companies involved in the oil and gas sector in SFERS' investment portfolio over the past year and since the inception of the restriction, and provided an update on the sector's developments over the past year.

Public Comment was called.

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

Action: Moved by Commissioner Thomas, seconded by Commissioner O'Connor, to move that the San Francisco Employees' Retirement System reaffirm its intent to remain divested from certain oil & gas companies and adopt the 2023 List of Restricted Oil and Gas Companies, presented in Table 1.

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

Absent: Commissioner Gandhi

16. 121323-16 Action Item Annual Report and Recommendation on Tobacco Restrictions

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

Andrew Collins, Director of ESG Investing, provided a written report on this item.

Public Comment was called.

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

Action: Moved by Commissioner Bridges, seconded by Commissioner O'Connor, to move that the San Francisco Employees' Retirement System reaffirm its intent to remain divested from U.S. tobacco companies and adopt the 2023 List of U.S. Companies Involved in the Production or Wholesale Distribution of Tobacco Products presented in Table 1.

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

Absent: Commissioner Gandhi

17. 121323-17 Action Item Annual Report and Recommendation on Targeted Restrictions in Sudan

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

Andrew Collins, Director of ESG Investing, provided a written report on this item.

Public Comment was called.

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

Action: Moved by Commissioner O'Connor, seconded by Commissioner Driscoll, to move that the San Francisco Employees' Retirement System reaffirm its intent to remain divested from certain companies operating in Sudan and adopt the 2023 List of Companies Involved in Sudan, presented in Table 1.

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

Absent: Commissioner Gandhi

18. 121323-18 Action Item Annual Report and Recommendation on Firearms Restrictions

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

Andrew Collins, Director of ESG Investing, provided a written report on this item.

Public Comment was called.

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

Action: Moved by Commissioner Bridges, seconded by Commissioner Thomas, to move that the San Francisco Employees' Retirement System reaffirm its intent to remain divested from firearms and ammunition manufacturers and retail companies and adopt the 2023 List of Restricted Firearms and Ammunition Manufacturers and Retailers presented in Table 1.

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

Absent: Commissioner Gandhi

19. 121323-19 Action Item Annual Report and Recommendation on Thermal Coal Restrictions

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

Andrew Collins, Director of ESG Investing, provided a written report on this item.

Public Comment was called.

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

Action: Moved by Commissioner Thomas, seconded by Commissioner Driscoll, to move that the San Francisco Employees' Retirement System reaffirm its intent to remain divested from thermal coal companies and adopt the 2023 List of Thermal Coal Companies presented in Table 1.

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

Absent: Commissioner Gandhi

20. 121323-20 Action Item Annual Report and Recommendation on Russian Restrictions

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

Andrew Collins, Director of ESG Investing, provided a written report on this item.

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 move that the San Francisco Employees' Retirement System reaffirm its intent to remain divested from Russian and Russian-related sanctioned securities and adopt the 2023 Criteria for Restriction of Investment in Russian and Russian-related Sanctioned Securities presented in the recommendations section of the Staff Memorandum.

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

Absent: Commissioner Gandhi

21. 121323-21 Discussion Item Chief Investment Officer's Report

Documents provided to the Retirement Board prior to the current meeting: Exhibit 1: Performance and Market Update, Exhibit 2: Plan Value Report, Exhibit 3: Update on Investments, Exhibit 4: Fee disclosure provided pursuant to Section 7514.7 of the California Government Code.

Alison Romano, CEO & CIO, provided an oral and written report on performance and market update, plan value and reported the following investments approved by delegated authority:

Crayhill Principal Strategies Fund III L.P.

Under delegated authority, SFERS invested \$80 million to Crayhill Principal Strategies Fund III L.P.

SFERS' investment of \$80 million in Crayhill Principal Strategies Fund III L.P. closed on November 3, 2023. This investment is classified as a Specialty Finance investment within SFERS' Private Credit portfolio. This is SFERS' second investment with Crayhill within the Private Credit portfolio.

More information about Crayhill is available at <https://crayhill.com/>.

