City and County of San Francisco
Employees' Retirement System

RETIREMENT BOARD MINUTES

Wednesday, January 9, 2013

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

2:00 p.m.

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

President
Wendy Paskin-Jordan

Vice President
Joseph Driscoll

Commissioners
Malia Cohen

Victor Makras

Herb Meiberger

Brian Stansbury

Brenda Wright

Jay Huish
Executive Director

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Frank Darby, Administrator
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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OPENING CALENDAR

☐ Pledge of Allegiance

☐ Roll Call:

Commissioner Joseph D. Driscoll	2:00
Commissioner Malia Cohen	2:00
Commissioner Victor Makras	2:00
Commissioner Herb Meiberger	2:00
Commissioner Wendy Paskin-Jordan	2:00
Commissioner Brian Stansbury	2:00
Commissioner Brenda Wright	Absent

☐ Public Comment:

Commissioner Paskin-Jordan reviewed the procedures for public comment.

Representatives from Occupy San Francisco, Occupy Bernal, the Alliance of Californians for Community Empowerment (ACCE), and the Occupy the Auctions and Evictions Campaign, addressed the Board. They requested the Retirement Board to investigate the practices of major banks engaged in alleged predatory, discriminatory, and illegal lending, as well as foreclosure and related eviction practices. They further requested that the Retirement Board consider divestment from those banks identified as harming the families of City employees, destroying our communities, and putting their shareholders at risk of losses due to risky and unprofitable practices.

The speakers included:

Gladys Freeman – ACCE, retired City employee
Bernetta Adolph – ACCE, retired City employee
Roxie Harris – ACCE, retired City employee
Rodger Scott – CCSF instructor, City employee
Archbishop Franzo King – ACCE, Foreclosure Chair of the SF-NAACP, and St. John Coltrane Church
Ross Rhodes – ACCE
Pascal Thiam – ACCE
Stardust (Will Doherty) - ACCE, Occupy the Auctions and Evictions Campaign, and Occupy Bernal
Quanah Parker Brightma
Larry Faulks

Commissioner Cohen commended the speakers for their activities in the community and noted that their concerns would also be considered by the Board of Supervisors.

Commissioner Paskin-Jordan requested that additional information regarding a recent Justice Department settlement regarding mortgage modification be distributed to the Board.

Commissioner Meiberger suggested that more focus should be placed on possible illegal activities by the banks and on the introduction of shareholder resolutions.

☐ 010913-01 Action Item **Approval of the Minutes of the December 12, 2012 Board Meeting**

Documents provided to the Board prior to the current meeting: Draft Minutes of the December 12, 2012 Board Meeting

Action: Moved by Commissioner Makras, Seconded by Commissioner Meiberger to Approve the Minutes of the December 12, 2012 Board Meeting.

Approved by the following vote:

Ayes:	Cohen, Driscoll, Makras, Meiberger, Paskin-Jordan, Stansbury
Absent:	Wright

ADMINISTRATION CALENDAR

☐ 010913-02 Action Item **Review and Approval of Economic Experience Analysis as of July 1, 2012 and Adoption of Recommended Actuarial Assumptions**

Documents provided to the Board prior to the current meeting: Economic Experience Analysis as of July 1, 2012 and Cheiron presentation materials dated December 2012

Jay Huish, Executive Director, Bill Hallmark and Grahame Schmitt, Cheiron (Consulting Actuary) presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Makras discussed the history of price inflation over the last 20 years.

Jay Huish, Executive Director, noted that the Board had previously approved that the reduction in the inflation assumption be phased in over a three-year period.

Commissioner Meiberger discussed his concerns regarding the inflation assumption given recent market conditions, particularly looking forward.

Commissioner Makras indicated that he was prepared to support Cheiron's recommendations, but would like to review the process for setting the assumptions in future years.

Commissioner Paskin-Jordan recommended that additional consultant commentary be provided with the assumption recommendations to the future.

Mr. Huish noted that the economic assumptions are reviewed by the Board on an annual basis.

Richard Rothman addressed the Board regarding the inflation assumptions.

Action: Moved by Commissioner Driscoll, Seconded by Commissioner Makras to Approve Cheiron's recommendation to maintain the 3-year phase-in of the reduction in the investment return, price inflation and wage inflation assumptions as summarized below:

- Reduce investment return assumption from 7.66% to 7.58 for July 1, 2012 valuation;
- Reduce price inflation assumption from 3.41% to 3.33% for July 1, 2012 valuation; and
- Reduce wage inflation assumption from 3.91% to 3.83% for July 1, 2012 valuation

Approved by the following vote:

Ayes:	Cohen, Driscoll, Makras, Paskin-Jordan
Noes:	Meiberger
Absent:	Wright

	Stansbury
Absent:	Wright

☐ 010913-03 Discussion Item **Educational Presentation on Implementation of Revised GASB Requirements (GASB 67 and 68)**

Documents provided to the Board prior to the current meeting: Cheiron presentation materials

Jay Huish, Executive Director, Bill Hallmark and Grahame Schmitt, Cheiron (Consulting Actuary) presented an oral and written report on this item.

Mr. Hallmark presented an educational session on the timing and impact of new financial reporting and pension accounting standards under the recently adopted Government Accounting Standards Board (GASB) Statements 67 and 68 for SFERS and the City and County of San Francisco, San Francisco Unified School District, San Francisco Community College Board and the Trial Courts.

The Board engaged in a question and answer session.

Action: This was a discussion only item.

☐ 010913-04 Discussion Item **Finance Committee Report**

Documents provided to the Board prior to the current meeting: Committee Report

Commissioner Meiberger, Chair of the Finance Committee, presented an oral and written report on this item.

At their meeting of December 19, 2012 the Finance Committee:

- Approved the Minutes of the January 18, 2012 Finance Committee Meeting;
- Received a Presentation on the Draft FY 2011-12 Audited Financial Statements;
- Reviewed Expenditures for the Fiscal Year Ended June 30, 2012;
- Reviewed the Recaptured Commissions Report for the Fiscal Year Ended June 30, 2012;
- Recommended to the Board President the establishment of an Ad Hoc Real Estate – Special Project Committee to evaluate the opportunity for the Retirement System to purchase a building to house its administrative offices.

The Board engaged in a question and answer session.

Action: This was a discussion only item

☐ 010913-05 Action Item **Approval of Recommendation for Consulting Services Related to the Solicitation and Procurement of Master Custody and other Related Services**

Documents provided to the Board prior to the current meeting: Staff memorandum

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

As approved by the Retirement Board at its October 10, 2012 regular meeting, the Retirement System issued a Request for Proposals (RFP) for consulting services related to the solicitation and procurement of master global custody services on October 15, 2012. The Retirement System received four proposals in response to the RFP.

The RFP Evaluation Team selected three semi-finalist firms to be invited for project presentations and interviews. The proposer presentations and interviews were conducted at the SFERS Office on Wednesday, December 12, 2012. Based on the combined scoring of the written responses to the RFP and the presentation/interviews, the RFP Evaluation Team recommended that the Retirement System engage Callan Associates, Inc. for master custody services related to the Request for proposal for master global custody services scheduled to be issued later this year.

The Board engaged in a question and answer session.

Action: Moved by Commissioner Meiberger, Seconded by Commissioner Makras to Approve the Recommendation for Consulting Services Related to the Solicitation and Procurement of Master Custody and other Related Services
Approved by the following vote:

Ayes: Driscoll, Makras, Meiberger, Paskin-Jordan, Stansbury
Absent: Cohen, Wright

☐ 010913-06 Discussion Item **Initial Review of SFERS FY 2013-14 Budget**

Documents provided to the Board prior to the current meeting: Draft FY 2013-14 Budget

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

The budget will be reviewed by the Finance Committee on January 16th and presented to the Board in final form at the February Board meeting.

The Board engaged in a question and answer session.
Action: This was a discussion only item.

☐ 010913-07 Discussion Item **Retirement System Travel Expense Reports for the Periods Ending September 30, 2012 and December 31, 2012**

Documents provided to the Board prior to the current meeting: Travel Expense Reports

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

The Board engaged in a question and answer session.

Action: This was a discussion only item

☐ 010913-08 Action Item **Board Resolution for Carol Cypert**

Documents provided to the Board prior to the current meeting: Draft Resolution

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

The Board engaged in a question and answer session.

Action: Moved by Commissioner Makras, Seconded by Commissioner Meiberger to Approve the Resolution for Carol Cypert.

Approved by the following vote:

Ayes: Cohen, Driscoll, Makras, Meiberger, Paskin-Jordan, Stansbury
Absent: Wright

☐ 010913-09 Discussion Item **Executive Director's Report**

Documents provided to the Board prior to the current meeting: Executive Director's Report

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

The Board engaged in a question and answer session.

Administrative Update:

- Update on status of POB lawsuit, the petition with the Attorney General to sue the City on their behalf has been denied;
- PEPRA 2013 Update

Attachments for informational purposes:
--- Educational Opportunities List
--- Forward Calendar
--- Request for Proposal in Progress - Blackout Period List

Action: This was a discussion only item.

INVESTMENT CALENDAR

☐ 010913-10 Action Item **Approval to Commit up to $10 million in Battery Ventures X, L.P., including Battery Ventures X Side Fund, L.P.**

Documents provided to the Board prior to the current meeting: Staff and Portfolio Advisors memoranda

Bob Shaw, Interim Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Tanya Kemp, Senior Portfolio Manager, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Mr. Murphy noted that the available potential commitment has been increased for $10 to $11 million, and requested that the staff and consultant recommendation be amended to reflect the higher amount.

Commissioner Stansbury requested that addition information regarding comparison funds be included in future staff and consultant memoranda.

Action: Moved by Commissioner Meiberger, Seconded by Commissioner Makras to Commit up to $11 million in Battery Ventures X, L.P., including Battery Ventures X Side Fund, L.P.

Approved by the following vote:
Ayes: Cohen, Driscoll, Makras, Meiberger, Paskin-Jordan, Stansbury
Absent: Wright

☐ 010913-11 Action Item

Approval to Commit up to $30 million in TowerBrook Investors IV, L.P.

Documents provided to the Board prior to the current meeting: Staff and Portfolio Advisors Memoranda

Bob Shaw, Interim Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Tanya Kemp, Senior Portfolio Manager, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Action: Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to Approve to Commit up to $30 million in TowerBrook Investors IV, L.P.

Approved by the following vote:
Ayes: Cohen, Driscoll, Makras, Meiberger, Paskin-Jordan, Stansbury
Absent: Wright

☐ 010913-12 Discussion Item

Deputy Director for Investments Report:

Documents provided to the Board prior to the current meeting: DDI Report

Bob Shaw, Interim Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Action: This was a discussion only item

DEFERRED COMPENSATION PLAN CALENDAR

☐ 010913-13 Discussion Item **SFDCP Manager Report**

Documents provided to the Board prior to the current meeting: SFDCP Manager Report

Norm Nickens, Acting Deferred Compensation Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Action: This was a discussion only item

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 Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

☐	010913-14	Action Item	**Consent Calendar**
	010913-14a	Action Item	**Voluntary Retirement Board List No. 7-12**
	010913-14b	Action Item	**Decision of Hearing Officers**
	James J. Bennington Effective Date: 7/24/10	7245 Chief Station Engineer, Water Treatment Plant PUC-Water	Ordinary Disability Retirement Granted
	Donald E. Bloom Effective Date: 10/1/10	7325 General Utility Mechanic PUC-Hetch Hetchy	Ordinary Disability Retirement Granted
	Rena M. Ellis Effective Date: 12/1/10	2119 Health Care Analyst DPH-SFGH	Ordinary Disability Retirement Denied
	Dominic J. Mangini Effective Date: 3/1/12	7514 General Laborer PUC-Water	Ordinary Disability Retirement Granted
	Karen E. McCoy Effective Date: 4/28/12	3302 Admission Attendant Recreation & Park	Ordinary Disability Retirement Granted

Sharon H. McNally Effective Date: 6/26/10	Q62 Lieutenant III Police	Industrial Disability Retirement Granted
Rodney V. Palmer Effective Date: PERS	8306 Sr. Deputy Sheriff Sheriff	CAL-PERS - Disability Retirement Granted
Drusilla Smith Effective Date: 4/1/11	9163 Transit Operator MTA	Ordinary Disability Retirement Granted
Felix M. Sung Effective Date: 4/14/12	Q4M Motorcycle Police Officer III Police	Industrial Disability Retirement Granted
Brenda B. Walker Effective Date: 6/1/10	Q3 Police Officer II Police	Industrial Disability Retirement Denied
Steven G. Wiessler Effective Date: 10/20/08	H40 Battalion Chief Fire	Industrial Disability Retirement Granted
Ronald D. Williams (Deceased – 8/22/12) Effective Date: PERS	8304 Deputy Sheriff Sheriff	CAL-PERS - Disability Retirement Granted
010913-14c	Action Item	Petition for Rehearing:
Brenda B. Walker Effective Date: 6/1/10	Q3 Police Officer II Police	Industrial Disability Retirement Denied
010913-14d	Action Item	**Dismissal of Disability Retirement Applications:** none
010913-14e	Action Item	**Request Travel Approval for Commissioners Malia Cohen and Joseph Driscoll, to attend the CALAPRS Board Leadership Institute, Advanced Principles in Governance in Los Angeles, CA, January 29-31, 2013.**
010913-14f	Action Item	**Request Travel Approval for Commissioner Herb Meiberger, and all interested Commissioners, to attend the 2013 PPI Winter Roundtable in Sausalito, CA, February 27-March 1, 2013.**

Documents provided to the Board prior to the current meeting: Voluntary Retirement List, Hearing Officer Decisions, Agenda, Agenda

Action: Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to Approve the Consent Calendar
Approved by the following vote:

Ayes: Cohen, Driscoll, Makras, Meiberger, Paskin-Jordan, Stansbury
Absent: Wright

☐ 010914-15

Adjournment
There being no further business, the Board adjourned its meeting at 5:05 PM.

Respectfully submitted,

Jay Huish
Executive Director