



City and County of San Francisco  
Employees' Retirement System  
**DEFERRED COMPENSATION  
COMMITTEE MINUTES**

---

**May 20, 2014**

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

**3:00 PM**

**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.*

**COMMITTEE MEMBERS**

*Commissioners*

Leona Bridges

Joseph Driscoll

Brian Stansbury (Chair)

Jay Huish  
*Executive Director*

DISABILITY ACCESS

The San Francisco Employees' Retirement System is wheelchair accessible. Accessible seating is available for persons with disabilities. To obtain a disability-related modification or accommodation, including large print agendas, American Sign Language interpreters, FM sound amplification system and auxiliary aids or services, please contact Norman Nickens at 415-487-7025 at least two (2) business days before the meeting.

There is accessible parking in the vicinity of 30 Van Ness at Civic Center Plaza. Accessible **MUNI** lines are available at the corner of Market Street and Van Ness Avenue. The closest accessible **BART** station is Civic Center Station.

All materials to be considered or acted upon by the Board shall be available for public review 24 hours prior to the Board meeting. For additional information, please contact Norman Nickens, Executive Assistant at 487-7025.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

**The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.**

Know Your Rights Under the Sunshine Ordinance

**(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.

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](mailto:sotf@sfgov.org)

**Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, <http://www.sfgov.org/sunshine/>**

If any materials related to an item on this agenda have been distributed to the Retirement Board (or committee) after distribution of the agenda packet, those materials are available for public inspection at SFERS, 30 Van Ness Avenue, Suite 3000 during normal office hours.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (San Francisco Campaign and Governmental Conduct Code sections 2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 25 Van Ness Avenue, Suite 220, San Francisco, CA 94102, telephone (415) 252-3100, fax (415) 252-3112 and web site: [www.sfgov.org/ethics](http://www.sfgov.org/ethics)

Committee Chair Stansbury called the meeting to order at 3:00 PM.

Pledge of Allegiance

Roll Call: Commissioner Leona Bridges 3:00 PM  
Commissioner Joseph Driscoll 3:10 PM  
Commissioner Brian Stansbury 3:00 PM

Public Comment Discussion Only Commissioner Stansbury called for public comment.  
There were no comments from the public.

05202014-01 Action Item **Review and Approval of Minutes of the April 14, 2014 Deferred Compensation Committee Meeting**  
  
Documents provided to the Committee prior to the current meeting: Draft Minutes  
  
Commissioner Stansbury called for public comment.  
  
There were no comments from the public.  
  
Action: Moved by Commissioner Bridges, Seconded by Commissioner Stansbury to Approve the Minutes of the April 14, 2014 Deferred Compensation Committee Meeting.  
  
Ayes: Bridges, Stansbury  
Absent: Driscoll

05202014-02 Discussion Item **Update on Stable Value Fund**  
  
Documents provided to the Committee prior to the current meeting: None  
  
Julia Durand, Deferred Compensation Manager, and Anna McGibbons, Angeles Investment Advisors, presented an oral and written report on this item.  
  
Ms. Durand reported that at the April 14, 2014, Deferred Compensation Committee meeting the Committee approved the recommendation presented by Staff and Angeles Investment Advisors to negotiate an Investment Management Agreement with Galliard that included the roll out of Prudential's GoalMaker tool.  
  
Commissioner Driscoll joined the meeting at 3:10 PM.

Staff and the City Attorney are still finalizing the Investment Management Agreement and anticipate the Agreement will be signed by June 15, 2014. The roll out of GoalMaker will proceed after the Agreement has been fully executed.

Commissioner Bridges inquired regarding wrap fees in the proposed Agreement. Ms. McGibbons noted that the Agreement has not yet been finalized. Jay Huish, Executive Director, noted that fees will be fully disclosed to participants once they have been established. Current fees for Great West with GoalMaker are 19 basis points. The total fee for Galliard with GoalMaker was expected to 42 basis points, but Galliard believes there might be a modest increase in this fee as the Great West wrap contract is modified to incorporate a book value termination provision.

Commissioner Stansbury requested that the Committee members be kept informed on the status of the negotiations, particularly as they relate to fees.

Commissioner Stansbury called for public comment.

There were no comments from the public.

Action: This was a discussion only item

05202014-03 Discussion Item

**Report on Implementation of Roth Option, Including Discussion of Conversions and Rollovers**

Documents provided to the Committee prior to the current meeting: Prudential Roth FAQ Flyer, Prudential Article on Roth Option, Prudential Article on IRS Guidance and In-Plan Rollovers

Julia Durand, Deferred Compensation Manager, and Chad Kasper, Prudential (Third-Party Administrator) presented an oral and written report on this item.

Ms. Durand reported that Roth enrollment began on May 1<sup>st</sup> and 77 participants have been enrolled to date. Prudential representatives have been conducting informational workshops to explain this new option to SFDCP participants.

Mr. Kasper reviewed the educational materials that have been distributed to SFDCP participants relating to Roth. Individual education sessions are available in person or by telephone.

Commissioner Stansbury recommended that the

educational materials address state and federal taxation issues.

Commissioner Driscoll recommended that the educational materials clearly distinguish between a Roth IRA and a deferred compensation Roth option.

In response to a question from Commissioner Driscoll, Ms. Durand noted that in-plan Roth conversions are allowable in a 457(b) Roth option; however there would be tax consequences for participants. Any tax liability could not be paid from the participant's deferred compensation account.

The Committee discussed administrative or legislative options for allowing members to convert while using their current SFDCP account. Ms. Durand will explore this with Prudential.

Commissioner Stansbury called for public comment.

There were no comments from the public.

Action: This was a discussion only item

05202014-04 Discussion Item

#### **Discussion of Managed Account Options**

Documents provided to the Committee prior to the current meeting: Angeles Investment Advisors Memoranda and Morningstar FAQ

Julia Durand, Deferred Compensation Manager, and Anna McGibbons, Angeles Investment Advisors, presented an oral and written report on this item.

Ms. Durand noted that the managed account option is currently available to participants as an advice option.

Ms. McGibbons noted that a Managed Account Service is one where participants generally pay a fee to gain access to advice on managing their investments, including asset allocation. Managed Account Services generally account for only a small percentage of assets in deferred compensation plans. SFDCP participants currently have access to a range of professionally managed investment options. These include: custom target date funds; GoalMaker (when launched in 2014); and, SFDCP plans to allow participants to permit a registered investment advisor to manage self-directed brokerage accounts – fees would depend on the registered investment advisor's fee.

Staff and Consultant recommended against activating a Managed Account option at this time, as it would be preferable for the SFDCP to focus on adoption of GoalMaker for the next 6-12 months.

Were Managed Accounts to be activated through Prudential (“Managed by Morningstar”):

- Prudential charges a flat fee of 35 basis points for their managed account service, which provides professional and fully discretionary management of the portfolio by Morningstar Associates;
- Adding this service would require SFDCP to evaluate Morningstar’s capabilities and execute a contract with Morningstar; and,
- Managed accounts are significantly more costly for participants than Target Date Funds and GoalMaker.

Commissioner Stansbury called for public comment.

There were no comments from the public.

The Committee agreed to revisit a managed account option in six to twelve months.

Action: This was a discussion only item.

05202014-05 Action Item

**Review and Approval of Option to allow SFDCP participants to authorize Registered Investment Advisors to purchase and sell securities on their behalf**

Documents provided to the Committee prior to the current meeting: Staff Memorandum and Trading Authorization Form

Julia Durand, Deferred Compensation Manager, presented an oral and written report on this item.

Ms. Durand reported that the SFDCP has received several requests from participants to allow a Registered Investment Advisor (“RIA”) to make trades on a participant’s SFDCP account. This option has not been previously available to SFDCP participants; however it is a standard service that is offered by our current record keeper (Prudential). Prudential will require a participant to complete a Trade Authorization form in order to name an individual or RIA to purchase or sell securities on his or her SFDCP account.

Staff and consultant recommended that the Committee refer to the full Retirement Board activating the Prudential trade authorization option in order to provide SFDCP participants the ability to authorize individuals or RIAs to purchase and sell securities on their behalf.

Commissioner Driscoll confirmed that RIAs will not be marketed or provided access to participants by Prudential or SFDCP staff. He also confirmed that any fees due to the RIA will be the responsibility of the participant.

Commissioner Stansbury noted that the SFDCP will not be involved in the selection of an RIA by a participant; the Trading Authorization form is processed by Prudential.

Commissioner Stansbury suggested that a waiver of liability for the SFDCP should be provided to participants utilizing RIAs. Katie Porter, Deputy City Attorney, agreed to review the proposed authorization documents.

Commissioner Stansbury called for public comment.

There were no comments from the public.

Action: Moved by Commissioner Bridges, Seconded by Commissioner Driscoll to forward to full Board to approve option to allow SFDCP participants to authorize Registered Investment Advisors to purchase and sell securities on their behalf.

Ayes: Bridges, Driscoll, Stansbury

Commissioner Stansbury called item #7

05202014-07 Action Item

#### **SFDCP Investment Policy Statement**

Documents provided to the Committee prior to the current meeting: Angeles Investment Advisors Memoranda and Draft Revised SFDCP Investment Policy Statement

This item was continued at the call of the Chair to a future Committee meeting.

05202014-06 Discussion Item

**Educational Presentation on Prudential Website Functionality**

Documents provided to the Committee prior to the current meeting: None

Julia Durand, Deferred Compensation Manager; Mary Ann McGregor, Deferred Compensation Specialist; and Chad Kasper, Prudential (Third-Party Administrator) presented an oral and written report on this item.

Ms. McGregor conducted an education presentation on the SFDCP web site.

Mr. Kasper discussed how Prudential utilizes the web site to provide information to participants, including scheduling counseling appointments.

Commissioner Stansbury called for public comment.

There were no comments from the public.

Action: This was a discussion only item.

05202014-08 Discussion Item

**Discussion of Deferred Compensation Committee Forward Calendar for FY 2014 - 2015**

Documents provided to the Committee prior to the current meeting: Staff and Angeles Investment Advisors Memoranda and Draft Revised Mission Statement

Julia Durand, Deferred Compensation Manager, and Anna McGibbons, Angeles Investment Advisors, presented an oral and written report on this item.

Ms. McGibbons reviewed SFDCP projects that have been completed. These include the following projects:

- Review of Stable Value vs. Stable Income;
- Target Date Funds: Update Glide Path;
- Third Party Administrator search and transition;
- Development of revised Investment Guidelines for Stable Value;
- Consideration of re-enrollment as a potential means to diversify participants' asset allocation and to reduce stable value;
- Stable Value search and transition;

The Committee is continuing to consider:

- SFDCP Investment Policy Statement;

- Managed Accounts;
- Implementation of GoalMaker;
- Roth Conversion; and,
- Fund line-up streamlining.

Action: This was a discussion only item.

05202014-09 Discussion item

**General Public Comment:**

Commissioner Stansbury called for public comment.

There were no comments from the public.

05202014-10

**Adjournment**

There being no further business, the Committee adjourned its meeting at 5:00 PM.

Respectfully submitted,

Jay Huish  
Executive Director