



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

August 20, 2014

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

1:00 PM

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COMMITTEE MEMBERS

Commissioners

Leona Bridges (Chair)

Joseph Driscoll

Brian Stansbury

Jay Huish
Executive Director

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Frank Darby, Administrator
Sunshine Ordinance Task Force
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1 Dr Carlton B. Goodlett Place, Room 244
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by fax at 415 554-7854
or by email at sotf@sfgov.org

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Pledge of Allegiance

Roll Call: Commissioner Bridges 1:00 PM
Commissioner Driscoll 1:00 PM
Commissioner Stansbury 1:00 PM

Public Comment Discussion Only Commissioner Bridges reviewed the procedures for public comment.

There were no comments from the public.

08202014-01 Action Item **Review and Approval of Minutes of the May 20, 2014 Deferred Compensation Committee Meeting**

Documents provided to the Committee prior to the current meeting: Draft Minutes

Jay Huish, Executive Director, submitted clerical changes to the draft Minutes.

Commissioner Bridges called for public comment.

There were no comments from the public.

Action: Moved by Commissioner Driscoll, Seconded by Commissioner Stansbury to Approve the Minutes of the May 20, 2014 Deferred Compensation Committee Meeting as amended.

Ayes: Bridges, Driscoll, Stansbury

08202014-02 Discussion Item **Presentation by Galliard (Stable Value) and Overview of Services Provided**

Documents provided to the Committee prior to the current meeting: Staff Memorandum and Galliard Presentation Materials

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

Ms. Durand introduced Nick Gage, Senior Gage, Senior Director, and Laura Sell, Director, Galliard Capital Management who presented an overview of Galliard's services provided to SFDCP, including:

- Portfolio Management (wrap contract negotiations and allocations; underlying manager allocations; setting overall strategy and implementing strategy changes; and, duration and liquidity management).
- Administration (quarterly declared crediting rates; fund communication materials; monthly and quarterly reporting packages; data collection and wrap contract administration; account reconciliations; consolidation of fund data for auditor's preparation of annual financial statements; fund accounting, including monitoring and paying fees; and, compliance reviews.)

In addition, the representatives from Galliard presented a review of the SFDCP Stable Value portfolio as of June 30, 2014, including:

- Investment Performance;
- Portfolio Characteristics;
- Credit Quality;
- Portfolio Holdings; and,
- Operating Expenses

Commissioner Bridges called for public comment.

There were no comments from the public.

Action: This was a discussion only item

08202014-03 Action Item

Review and Approval of SFDCP Mission Statement

Documents provided to the Committee prior to the current meeting: Staff and Angles Investment Advisors Memoranda

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

Ms. Durand reported that SFDCP does not currently have an official Mission Statement. A draft Mission Statement was presented and discussed at the May 20, 2014 Deferred Compensation Committee meeting; it was previously presented for discussion only. The Mission Statement will be used, in part, to guide plan administration and establish goals for the third party administrator.

Ms. Durand noted that the initial draft had been prepared a few years previously; however it had not been acted on by the Committee.

Commissioner Driscoll reviewed the history of the proposed Mission Statement and recommended additional wording changes relating to “employer” and “member.”

Commissioners Bridges and Stansbury recommended that the Committee members submit their comments to Ms. Durand and that the item be calendared for a future meeting.

Commissioner Bridges called for public comment.

There were no comments from the public.

Action: This was a discussion only item

08202014-04 Action Item

Streamlining Investment Options: Recommendation to Eliminate Mid-Cap Funds

Documents provided to the Committee prior to the current meeting: Staff and Angeles Investment Advisors Memorandum

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

Ms. Kautz noted that the Committee has previously discussed possible streamlining of the SFDCP investment roster to address the concern that some participants may be overwhelmed by the current choice of 17 funds, and as a result avoid or postpone decision-making. She further noted that research has shown that too many options cause participants to be more conservative and less satisfied with their decisions. She recommended that the Committee consider streamlining the investment roster from 17 funds to 14 funds (treating Target Date Funds and brokerage as a single option each).

She further recommended the elimination of the current three mid cap funds from the SFDCP core line-up. The current mid cap funds:

- Make up only 5.2% of SFDCP assets in the three stand-alone funds and another 0.6% within the Target Date Funds.
- Offer market exposure that is generally available in other options.
- Two of the three funds that would be eliminated are currently on the SFDCP Watch List for performance, and one for a qualitative reason (change of portfolio manager).
- Participants are able to purchase the mid cap funds through the Self-Directed Brokerage Option.

Commissioner Bridges called for public comment.

William [no last name provided], SFDCP participant, noted the performance of the mid cap funds when compared to small cap or real estate funds and requested the Committee to retain the current funds.

Commissioner Driscoll inquired as to the performance of the current mid cap funds. Ms. Kautz noted that the current funds have underperformed when compared against their benchmarks, and there have been qualitative as well as quantitative issues with the current funds.

Commissioner Driscoll discussed how to effectively communicate the proposed changes to plan participants and noted that mid cap funds would still be included as a component in the Target Date Funds. He further noted that Russell Investments, the SFDCP Target Date Fund consultant, will be conducting a review of the Target Date Funds and Glide Path in early 2015 and recommended that the Committee consider implementation of any proposed changes to mid cap funds at the same time.

Commissioner Stansbury requested additional data on the correlation of mid cap funds with large cap funds.

Commissioner Driscoll discussed the need for effective participant education.

Commissioner Bridges spoke in support of reducing the number of funds in the SFDCP investment roster, but also noted the importance of effective participant education.

Commissioner Bridges suggested that as part of the education process participants should be provided a listing of the mid caps funds available to them through the Self-Directed Brokerage Option.

Commissioner Driscoll requested that the Committee develop a schedule of meetings to address potential streamlining options for consideration by the full Board.

The Committee took no action and continued this item.

Action: This was a discussion on item.

- 08202014-05 Discussion item

General Public Comment:

Commissioner Bridges called for public comment.

There were no comments from the public.

- 08202014-06

Adjournment

Having no further business, the Board adjourned their meeting at 5:20 PM.

Respectfully submitted,
Jay Huish, Executive Director