



**City and County of San Francisco
Employees' Retirement System**

RETIREMENT BOARD

SPECIAL MEETING MINUTES

Monday, May 22, 2017

50 California Street, 34th Floor

San Francisco, CA 94111

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RETIREMENT BOARD MEMBERS

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Malia Cohen

Vice President

Brian Stansbury

Commissioners

Leona Bridges

Al Casciato

Joseph Driscoll

Victor Makras

Wendy Paskin-Jordan

Executive Director

Jay Huish

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OPENING CALENDAR

Vice-President Stansbury called the meeting to order at 9:10 AM.

1. Pledge of Allegiance

2. Roll Call

Commissioner Malia Cohen	9:23 AM
Commissioner Leona Bridges	9:10 AM
Commissioner Al Casciato	9:10 AM
Commissioner Joseph D. Driscoll	9:10 AM
Commissioner Victor Makras	9:10 AM
Commissioner Wendy Paskin-Jordan	9:10 AM
Commissioner Brian Stansbury	9:10 AM

3. 05222017-03 Discussion Item 2016 Independent Board Evaluation Report

Documents provided to the Retirement Board prior to the current meeting: Funston Advisory Service LLC Report – *Finding the Common Ground*

Vice-President Stansbury called for public comment.

There were no comments from the public and Vice-President Stansbury Cohen closed public comment.

Vic-President Stansbury introduced Rick Funston and Randy Miller from Funston Advisory Services LLP, presented an oral and written report on this item.

Jay Huish, Executive Director, reported that the Board Performance Evaluation Policy provides that, from time to time, the Board will undergo a third party performance evaluation in addition to a self-assessment. As stated in the policy, the goal of the Board is to undertake such an evaluation not less than every three years. The third-party evaluation process is to be recommended by a qualified independent expert, who will also conduct the evaluation and submit findings and recommendations. The policy further provides that the Board may engage such expert to assist the Board with the implementation of any recommendations, or provide coaching or related follow-up services.

Through the Governance Committee, the Retirement Board voted to engage Funston Advisory Services LLC to conduct the third-party evaluation process for 2016-17 at its May 9, 2016 Board meeting.

Funston Advisory Services has completed its extensive review process which included: review of key governance and policy documents; survey and interview of all Retirement

Board members and senior staff; interview of the Board's General Investment Consultant, Governance Consultant and Deputy City Attorney; and preparation of preliminary recommendation that were distributed to and discussed with each Board member.

President Cohen joined the meeting at 9:23 AM.

Mr. Funston reported that Funston Advisory Services FAS provided recommendations to improve the effectiveness and efficiency of the Board in six general areas:

- The Role and Functioning of the Board
- The Role and Functioning of Officers
- The Effectiveness of Committees
- Authorities and Relationships
- Board Self-Evaluation and Continuing Education
- Independent Reassurance

The specific recommendations considered by the Board were:

1. Clarify the Role and Improve the Functioning of the Board (12 recommendations)
 - a. Reinforce fiduciary duty, co-fiduciary duty and fiduciary behavior of Trustees and Staff
 - b. The President should maintain Board discipline and order, and existing policies should be enforced
 - c. The Executive Director should maintain Staff discipline and order, and ensure that staff act ethically and with decorum, courtesy, integrity, and professionalism
 - d. New governance policies should be developed where there are gaps
 - e. SFERS should develop its own conflict of interest policy to ensure Board members understand their responsibilities
 - f. The Board should set policy priorities through its agenda-setting process
 - g. The Board should finalize the process and complete the Executive Director's performance evaluation
 - h. The Board should streamline public comment during Board meetings
 - i. The Board should improve its oversight of the entirety of SFERS operations by requiring an Executive Director's Report on key performance indicators (a dashboard)
 - j. The Board should improve its time management to achieve a more balanced focus on strategy and overall System oversight to maximize value for the system
 - k. SFERS should create a centralized electronic repository which consolidates all Retirement System policies, including all relevant City, County and State laws and regulations, into one central electronic system with an organized taxonomy
 - l. SFERS should implement an electronic board portal (EBP)

2. Clarify the Role and Improve the Functioning of Officers (3 recommendations)
 - a. Clarify the Role of the President
 - b. The President should oversee stakeholder relations
 - c. The President should lead performance evaluation and succession planning for the Executive Director

3. Improve the Effectiveness of Committees (6 recommendations)
 - a. Consolidate the number of standing committees to five and develop new charters which ensure oversight of all SFERS' operations
 - b. Evaluate the Terms of Reference of the Investment Committee and consider alternatives
 - c. Redefine each committee's Terms of Reference and establish a calendar of events for each committee, linked to the Board agenda calendar
 - d. Assign policy priorities and timetable
 - e. Assign a staff liaison, as well as other appropriate staff members, to each committee to ensure appropriate staff participation, support and accountability for committee meetings
 - f. Develop an agreed-upon protocol for each committee to bring its recommendations to the full Board with an executive summary and supporting details to improve Board acceptance

4. Clarify Authorities and Improve Relationships (5 recommendations)
 - a. Proactively engage stakeholders and improve communications capabilities through development and implementation of a stakeholder engagement plan which addresses communications
 - b. Improve decision intelligence and decision making discipline
 - c. Improve communication between the President and Executive Director
 - d. Improve/coordinate timely responses to Board members' information requests
 - e. Provide pre-meeting briefings for individual Board members

5. Improve Board Self-Evaluation and Member Continuing Education (2 recommendations)
 - a. Implement the existing Board Performance Evaluation Policy
 - b. Increase the requirement for each Board member's continuing education through development of a formal training plan and program

6. Improve Independent Reassurance (4 recommendations)
 - a. Improve Board independent reassurance regarding investment matters by increasing Board interaction with the investment consultants
 - b. The Board should have its own independent fiduciary counsel
 - c. Hire or outsource an Internal Auditor
 - d. Obtain benchmarking information

Mr. Funston guided the Board in a discussion designed to provide feedback to:

- Review, revise and approve the recommended improvements
- Prioritize them
- Assign responsibilities and budgets
- Set a timetable
- Set a review schedule so SFERS can correct course as needed (e.g., quarterly)
- Engage key stakeholders

Board members were invited to provide additional feedback on the recommendations.

Commissioner Casciato expressed his appreciation for the efforts of staff and consultant in preparing the proposed recommendations. He spoke in support of an internal auditor function, conducting an operational review and staff morale survey. He expressed concern regarding implementation of the proposed Board Portal and recommended having technical support available to Board members. He stressed the need to support Defined Benefit plans.

Commissioner Paskin-Jordan spoke in support of implementing the proposed recommendations and moving forward.

Commissioner Makras expressed his appreciation for the efforts of staff and consultant in preparing the proposed recommendations.

Commissioner Bridges recommended the development of benchmarks and timelines for implementation of the recommendations.

Commissioner Driscoll noted that the Board will be challenged to meet its investment return going forward, and the Board will need to improve the quality of its decision making process.

President Cohen expressed her appreciation for the efforts of staff and consultant in preparing the proposed recommendations. The recommendations provide an opportunity for the Board to grow as a board.

Commissioner Stansbury expressed his appreciation for the efforts of staff and consultant in preparing the proposed recommendations, and to the members of the Board for the time and effort that they devoted to the process.

Following discussion of the recommendations and Board feedback, Mr. Funston recommended scheduling a follow up meeting within the next month to discuss implementation of the recommendations presented by Funston Advisory Services.

Action: This was a discussion only item.

4. 05222017-04

Adjournment

Having no further business, the Board adjourned the meeting at 3:20 PM.

Respectfully submitted,
Jay Huish, Executive Director