



**SFERS**  
San Francisco Employees' Retirement System

City and County of San Francisco  
Employees' Retirement System

**RETIREMENT BOARD**

**INVESTMENT COMMITTEE MINUTES**

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**January 27, 2016**

1145 Market Street, 6<sup>th</sup> Floor  
San Francisco, CA 94103

1:00 PM

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**INVESTMENT COMMITTEE MEMBERS**

Malia Cohen  
Herb Meiberger, CFA  
Leona Bridges, Chair  
Joseph Driscoll  
Victor Makras  
Wendy Paskin-Jordan  
Brian Stansbury

Jay Huish  
*Executive Director*

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### OPENING CALENDAR

Commissioner Bridges called the meeting to order at 1:20 PM

**1. Pledge of Allegiance**

**2. Roll Call**

Commissioner Malia Cohen	1:20 PM
Commissioner Herb Meiberger, CFA	Absent
Commissioner Leona Bridges, Chair	1:20 PM
Commissioner Joseph Driscoll	1:20 PM
Commissioner Victor Makras	1:20 PM
Commissioner Wendy Paskin-Jordan	1:20 PM
Commissioner Brian Stansbury	1:20 PM

**3. 01272016-03**

**General Public Comment**

Commissioner Bridges called for public comment.

John Furlan, expressed his appreciation for the opportunity to receive presentations from the investment staff, spoke in support of the Yale Endowment model. He also urged the Board to consider hedge strategies in public and private equities, including hedging with index options and puts.

There were no additional speakers and Commissioner Bridges closed public comment.

Commissioner Bridges called item 5 prior to item 4.

**4. 01272016-04 Action Item Approval of the Minutes of the October 21, 2015 Investment Committee Meeting**

Documents provided to the Committee prior to the current meeting: Draft Minutes of the October 21, 2015 Investment Committee Meeting

**Action:** Approve Minutes of the October 21, 2015 Investment Committee Meeting, or take other action on the minutes.

Commissioner Bridges called for public comment.

There were no comments from the public.

**Action:** Moved by Commissioner Paskin-Jordan, Seconded by President Cohen to approve the Minutes of the October 21, 2015 Investment Committee Meeting.

Ayes: Bridges, Cohen, Driscoll, Makras, Paskin-Jordan

Absent: Meiberger, Stansbury

**5. 01272016-05 Discussion Item Presentation by Investment Staff on Portfolio Strategy, Initiatives, and Updates by Asset Class**

Documents provided to the Committee prior to the current meeting: Staff biographies and presentation materials

Commissioner Bridges noted that the educational presentations by staff were designed to provide the Board with an opportunity to better know all members of the Investment staff.

Commissioner Paskin-Jordan requested staff to provide an analysis of how strategies recommended for absolute return and alternative equity have performed. Mr. Coaker agreed to provide the information.

William J. Coaker, Jr., Chief Investment Officer, introduced members of the Investment staff who presented verbal and written reports on:

Tanya Kemp and Justin Lo on SFERS Venture Capital and Growth Portfolio:

- Summary of Venture and Growth Capital performance, quartile rankings, and portfolio composition as of June 30, 2015;
- Investment environment; and,
- Venture and Growth initiatives to enhance early stage portfolio; expand growth equity portfolio; pursue global opportunities; and, foster strong relationships and market SFERS as a “preferred partner” to GPs.

Glen Schwartz and Cynthia Wong on SFERS Private Equity and Buyout Portfolio:

- Overview of portfolio composition by sub-strategy, industry and region; and,
- Private Equity initiatives to proactively target and build relationships with top-performing managers; invest in the best fund opportunities globally, including those in growth economies; pursue sector-focused funds with specific industry expertise; and, target small to mid-sized funds, along with a select number of top performing larger size funds.

Edward Comerford on SFERS Real Assets Portfolio:

- Overview of portfolio and performance, \$2.2 billion invested across 53 partnerships, 11.4% of total plan assets;
- Overview of commodity performance in 2015;
- Natural resources initiative for 2016, including long term partnerships with best in class managers; build a complementary portfolio that has inflation protection characteristics; and, potential tail wind from current low commodity price environment;
- Overview of investment environment; and,
- Real Estate initiatives for 2016, including diversification across geography and risk profiles, long term partnerships with best in class managers, and co-investment opportunities drive performance returns.

Han Pham, Vicki Owens and Dennis Esselsagoe on SFERS Public Markets, Public Equity

Portfolio:

- Current portfolio and performance;
- Historical performance and expected returns
- Public Equity valuations;
- Developed markets valuations;
- Emerging markets valuations;
- Global economic outlook;
- Landscape and opportunity set; and,
- Current SFERS portfolio analysis.

Eunice McHugh and Joshua Man on SFERS Fixed Income Portfolio:

- Performance and portfolio characteristics;
- Opportunistic portfolio;
- Landscape and opportunity set;
- Investment strategy; and,
- Action plan, including complete transition of Core Plus managers; review fixed income sub-asset allocation with a focus on improving liquidity and credit quality; continue to negotiate fee discounts from incumbent managers and favorable terms from prospective General Partners; opportunistic portfolio; and, execute barbell strategy.

President Cohen left the meeting at 2:03 PM and returned at 2:16 PM.

Commissioner Stansbury asked looking at distributions and contributions for private equity, what would have happened if investments had increased in 2009. Mr. Coaker responded that the distribution of vintage year gains varies broadly.

Commissioner Driscoll asked about the process for screening general partners. Ms. Kemp responded that staff does not use screening lists, but does complete substantial reference checks which include reputational considerations.

Commissioner Stansbury asked what would the private equity team explore if they had more time.

Ms. Kemp suggested seed investment, which are difficult to access directly except through separate accounts.

Commissioner Bridges noted that staff serves on advisory boards and asked what the hurdles to expanding internationally are. Ms. Kemp responded that this may require dedicated staff; however Mr. Wang is identifying opportunities for staff.

Commissioner Driscoll recommended reviewing and amending the current Statement of Investment Beliefs to include Real Assets.

Commissioner Paskin-Jordan discussed the Blackrock debt fund. Ms. McHugh responded that they had been selected by RFP, followed by significant fee reduction and the potential for treasuries exposure.

Commission Makras asked if staff had observed any problems with underwriting in loans by banks. Ms. McHugh responded that standards may have slipped and this is a concern going forward; private loans are an option.

Commissioner Driscoll discussed liquidity, including capital calls and benefit payments. Mr. Coaker noted that this analysis will be with new staff member assigned to measure risk.

Commissioner Makras noted that liquidity for benefits payments should be in place.

Commissioner Stansbury asked about portfolio rebalancing, including the timeframe and potential obstacles. Mr. Coaker noted that this could be taken up by the Investment Committee.

Commissioner Stansbury left the meeting at 3:45 PM.

Commissioner Bridges called for public comment.

John Furlan, expressed his appreciation for the presentations and recommended that future presentations also address the issue of risk.

There were no additional speakers and Commissioner Bridges closed public comment.

**Action:** This was a discussion only item.

**6. 01272016-06**

**Adjournment**

Having no further business, the Committee adjourned the meeting at 3:47 PM.

Respectfully submitted,  
Jay Huish, Executive Director