



SFERS
San Francisco Employees' Retirement System

San Francisco
Employees' Retirement System
**RETIREMENT BOARD
MEETING MINUTES**

Wednesday, December 9, 2015

1145 Market Street, 6th Floor
San Francisco, CA 94103

1:00 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

Malia Cohen

Vice President

Herb Meiberger, CFA

Commissioners

Leona Bridges

Joseph Driscoll

Victor Makras

Wendy Paskin-Jordan

Brian Stansbury

Jay Huish

Executive Director

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Sunshine Ordinance Task Force
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1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
(415) 554-7724
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OPENING CALENDAR

President Cohen called the meeting to order at 1:05 PM

1. Pledge of Allegiance

2. Roll Call

Commissioner Malia Cohen	1:05 PM
Commissioner Leona Bridges	1:15 PM
Commissioner Joseph D. Driscoll	1:05 PM
Commissioner Victor Makras	1:05 PM
Commissioner Herb Meiberger, CFA	1:05 PM
Commissioner Wendy Paskin-Jordan	1:23 PM
Commissioner Brian Stansbury	1:05 PM

CLOSED SESSION

3. 120915-03 Action Item Closed Session.

President Cohen called for public comment on the closed session.

Patrick Monette-Shaw spoke in strong opposition to closed session at the start of the meeting, and stated he was not aware of any other City board or commission that did so. He submitted the following written statement, which he represented was an accurate summary of his public comment:

“I and others have strongly objected to this Board going into Closed Session at the start of your meetings, forcing active City employees to wait several hours in the lobby for you to reconvene in Open Session, many using benefited vacation time to be here.

As far as I know, no other City Board or Commission starts their meetings by rudely going into closed session; SFERS’ Board appears to be the only Commission doing so.

Fortunately, I officially retired from City employment on Halloween — and have received and deposited my first retirement check — so I no longer have to take vacation or floating holiday hours to come remind you to be more transparent with the 60,000 active and retired members of our Retirement System. What you do with my money — our retirement fund — is now much more personal. Please stop going into Closed Session at the start of your meetings.”

Sylvia Alvarez Lynch spoke in opposition to the Board meeting in closed session at the start of the meeting, and suggested the Board move closed session to the end of the meeting. She said she had taken vacation time to come to the meeting.

President Cohen noted that public comment is scheduled for a time certain to accommodate the public. She also announced that item 7, an informational presentation on the

Downpayment Loan Assistance Program (“DALP”), had been taken off calendar.

The Board entered closed session at 1:13 PM.

Commissioner Bridges joined the closed session at 1:15 PM and Commissioner Paskin-Jordan joined the closed session at 1:23 PM.

The following individuals were present for the closed session: Commissioners Bridges, Cohen, Driscoll, Makras, Meiberger, Paskin-Jordan and Stansbury; Jay Huish, Executive Director; Caryn Bortnick, Deputy Director; William J. Coaker, Chief Investment Officer; Art Wang, Managing Director for Private Markets; Tanya Kemp and Ed Comerford, Senior Portfolio Managers, Glen Schwartz, Senior Investment Officer; Cynthia Wong, Justin Lo, and Peter Lin, Security Analysts; Katie Porter, William Lin and Tran Ly, Deputy City Attorneys; Norm Nickens, Board Secretary; Mariana Kedrun, Anita Ng, Kelly Jensen, Scott Martin, and Craig Beach, Cambridge Associates.

President Cohen left the closed session from 1:35 – 1:46 PM.

The Board returned to open session at 2:30 PM. The Board recessed from 2:30 PM – 2:40 PM.

Action: Moved by Commissioner Bridges, Seconded by Commissioner Stansbury to not disclose discussion held in closed session under San Francisco Administrative Code Section 67.12(a).

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

President Cohen announced that item 8, Board member request regarding hedge funds, was also removed from the agenda. It was then clarified that items 7 and 8 were removed from the Board’s agenda.

4. 120915-04

**General Public Comment -
Time Certain Item 2:30 PM**

President Cohen called for general public comment, and announced that public comment would be limited to 2 minutes.

Patrick Monette-Shaw addressed the Board regarding the salary paid to the Chief Investment Officer and the System’s investment returns. He also stated he did not support hedge funds. He submitted the following written statement, which he represented was an accurate summary of his public comment:

“The City Controller's payroll database shows as of June 30, 2015 (FY 14-15), Bill Coaker was the highest-paid City employee at \$388,988 in total pay, including \$82,313 in “other pay” that, in fact, was “retroactive regular pay.” Given SFERS’ dismal investment returns ending June 30, 2015, and Coaker’s foot-dragging on the hedge fund investment, one reasonable question is “Has Coaker earned his keep at this salary?”

Please don't forget Mike Hebel is an attorney writing POA Journal union articles. In December 2015 Hebel presented cherry-picked data comparing the Yale Endowment model to SFERS' returns between 2011 and 2015, but neglected mentioning 2008 to 2009. Don't forget:

1. SFERS outperformed the Yale in the 2009 down market.
2. Yale hasn't surpassed its 2007 peak in assets, now seven years later.
3. Geraldine Febrikant reported 9/14/15 in the New York Times that Yale lost 24.6%, while SFERS lost only 22% in 2009."

Sin Yee Poon, SEIU, spoke in opposition to investment in the Downpayment Assistance Loan Program ("DALP"), and noted that the proposed investment had not been fully vetted by staff. She said she trusted the Board would exercise due diligence and use the regular vetting process for investments.

Alex Thomason, Local 21 International Federation of Professional and Technical Engineers, spoke in opposition to investment in the DALP, and noted that the proposed investment was not intended to maximize the fund and was inconsistent with the Board's fiduciary duties and good governance principles. He noted that all PEC unions were opposed to the investment.

Rudy Faltes, Retired Teachers, addressed the Board regarding the history of teachers in SFERS, and spoke in support of supplemental Cost of Living Allowances ("COLAs") for retirees, especially the most vulnerable.

Elmer Carr, retiree and POB Board member, addressed the Board regarding history of supplemental COLAs for retirees, and requested the Board to seek outside legal counsel.

Robert Guitone, retiree, spoke in support of supplemental COLAs for pre-1996 retirees.

Sylvia Alvarez Lynch spoke against DALP and urged the Board not to invest in the program.

Martin Halloran, Police Officers Association, spoke against DALP as a dangerous precedent and a potential breach of fiduciary duties by the Board under the State constitution.

Jeff Duritz, Union of American Physicians And Dentists (UAPD), spoke against investment in DALP, citing fiduciary duties of Board and concerns about the investment review process.

Herbert Weiner, retiree, spoke against investment in DALP and in support of supplemental COLAs for pre 1996 retirees.

Sharon Johnson, Protect Our Benefits (POB), spoke in support of supplemental COLAs for retirees, discussed the history of COLAs in the Charter, and fiduciary duties of the Board, and urged the Board to be fair to all retirees.

Meehan McCann, Local 21, spoke in opposition to investment in DALP, and urged the Board to avoid outside influences and to protect the fund from a downturn.

John Furlan spoke in support of moving forward on hedge funds as previously approved by the Board so as not to delay staff's process.

Jack Fleck, Fossil Free SF, addressed the Board regarding impact of climate change and the Board's fiduciary duties.

5. 120915-05 Action Item Approval of the Minutes of the November 18, 2015 Retirement Board Meeting

Documents provided to the Retirement Board prior to the current meeting: Draft Minutes of the November 18, 2015 Retirement Board Meeting

President Cohen called for public comment.

Patrick Monette-Shaw addressed the Board regarding his concerns about the November 18, 2015 minutes, and the lack of follow up on items discussed in the Good of the Order item at that meeting. He submitted the following written statement, which he represented was an accurate summary of his public comment:

“Most notably, the minutes for the Good of the Order agenda item on page 15 report that Commission Makras requested that the DALP investment with MOHCD be calendared for action at today's meeting, but it was turned into a “discussion-only” agenda item in a brazenly political move. You've been analyzing the DALP loan proposal for well over a year, and the background materials today do not provide a new due diligence report by Bob Shaw analyzing any of the three options now being submitted. You shouldn't take any action on this investment until, and unless, Shaw presents you with a new, full analysis.

Makras had also requested on November 18 both a report on Northern Trust to this full Board and a report on vacant staff positions. Is Huish now stalling providing a vacant staff report? Where's the report on Northern Trust?”

Action: Moved by Commissioner Paskin-Jordan, Seconded by Commissioner Meiberger to Approve the Minutes of the November 18, 2015 Retirement Board Meeting.

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

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

6. 120915-06	Action Item	Consent Calendar
120915-06a	Action Item	Voluntary Retirement Board List No. 6-15
120915-06b	Action Item	Decisions of Hearing Officers
Edward A. Anzore Effective Date: 1/1/12	Q52 Sergeant III Police	Industrial Disability Retirement Granted
Graciela B. Cruz Effective Date: 11/1/14	8104 Victim & Witness Technician District Attorney	Ordinary Disability Retirement Denied
Vatima Hawkins-Patton Effective Date: 12/1/13	9163 Transit Operator MTA	Ordinary Disability Retirement Granted
Howard X. Kwong (Deceased – 10/1/15) Effective Date: 2/1/15	6318 Construction Inspector Public Works	Ordinary Disability Retirement Granted
Quyên Vinh La Effective Date: 5/17/14	2587 Health Worker III DPH-CMHS	Ordinary Disability Retirement Granted
John G. Murphy (Deceased – 1/28/14) Effective Date: 1/28/14	H20 Lieutenant Fire	Death As A Result of Duty Granted
Allen M. Pugh Effective Date: 7/1/14	2920 Medical Social Worker DPH-CMHS	Ordinary Disability Retirement Granted
Marta M. Rebolledo Effective Date: 1/17/13	2587 Health Worker III DPH-CMHS	Ordinary Disability Retirement Granted

Blaine F. Waterman
Effective Date: 8/2/14

3630 Librarian I
Library

Ordinary Disability Retirement
Granted

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

President Cohen called for public comment.

There were no comments from the public.

Action: Moved by Commissioner Meiberger, Seconded by Commissioner Paskin-Jordan to Approve the Consent Calendar.

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

INVESTMENT CALENDAR

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| 7. 120915-07 | Discussion Item | Informational presentation on the Downpayment Assistance Loan Program (DALP) by the Mayor's Office of Housing and Community Development |
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Documents provided to the Retirement Board prior to the current meeting: Informational materials from the Mayor's Office of Housing and Community Development

As announced by President Cohen earlier in the meeting, this item was removed from the Board's calendar.

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| 8. 120915-08 | Possible Action Item | Board Member request to remove the current 5% (\$1 Billion) allocation for Hedge Funds from the 2015 SFERS Asset Allocation |
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Documents provided to the Retirement Board prior to the current meeting: Staff and Consultant memoranda

As announced by President Cohen earlier in the meeting, this item was removed from the Board's calendar.

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| 9. 120915-9 | Action Item | Approval to commit up to £40 million to Brockton Capital Fund III L.P. |
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Documents provided to the Retirement Board prior to the current meeting: Staff and Consultant memoranda

SB 185 defines Thermal Coal as “coal used to generate electricity, such as that which is burned to create steam to run turbines. Thermal coal does not mean metallurgical coal or coking coal used to produce steel.”

At the request of the Retirement Board, staff undertook a preliminary evaluation of the public markets portfolios (\$15.2 Billion as of October 2015) to determine the number and value of coal holdings.

Using information from Bloomberg (a data service that SFERS uses), staff identified a universe of 237 companies as being in the coal mining industry. These ranged from multi-national corporations (Rio Tinto) to smaller single focus companies (Arch Coal).

This list was compared against SFERS’ public equity and fixed-income holdings as of October 31, 2015 to determine if SFERS held either equity or fixed-income securities issued by coal companies on the list. In summary, SFERS holds:

- A. Public Equities: \$18.9 million over six companies: and
- B. Fixed-Income: \$2.1 million over four companies.

Commissioner Meiberger spoke in support of divestment from thermal coal companies, expressed concern regarding the loss of inflation protection currently offered by petroleum stocks, and recommended that the funds be reallocated to renewables (derived from natural processes, including wind, solar, hydro, and geothermal). He noted that selling oil stocks would not have a direct impact on climate changes as the assets would be placed in less favorable hands.

Commissioner Meiberger recommended that staff identify renewables available in private equities and present options to the Board for reinvestment in renewables.

Katie Porter, Deputy City Attorney, noted that SB 185 allows the CalPERS and CalSTRS Boards to review divestment from thermal coal companies on a case by case basis, and to determine, in the exercise of their fiduciary duty, whether divestment of a particular is prudent. If those Boards determine divestment is not prudent in a particular case, divestment is not required.

Moved by Commissioner Makras, Seconded by Commissioner Cohen to prudently divest from thermal coal companies held and to consider investment in renewables.

Commissioner Driscoll noted that the private equity team will need time to consider and develop options related to renewables.

Commissioner Stansbury noted that the Board’s ESG Committee has not yet reviewed this issue. He recommended that the Committee evaluate the proposal and develop a broader strategy that takes into account the general outlook for coal, when will it be replaced, cost per kilowatt, how much does it contribute to global warming, and what is currently happening with coal stock prices.

Commissioner Cohen asked when the next ESG Committee meeting is scheduled. Mr. Huish noted that it is still being scheduled. Commissioner Cohen discussed criteria for identifying the “worst of the worst.” Commissioner Stansbury requested that the Committee consider coal at its next meeting.

Mr. Huish recommended that the Board also receive a report from the City Attorney on new Department of Labor guidance on social investment policies.

President Cohen called for public comment.

Brett Fleishman, Fossil Free SF, recommended that the motion include a definition of thermal coal companies, and noted the under-performance of coal companies and that the industry was in structural decline.

Jack Fleck, Fossil Free SF, requested clarification of the motion and spoke in support of divestment from coal holdings.

Jed Holtzman, Fossil Free SF, spoke in support of immediate divestment and recommended a broad definition of coal holdings not based solely on percentage of revenues based on coal. He also recommended divestment from the top 100 fossil fuel companies.

Patrick Monette-Shaw spoke in support of the motion. He submitted the following written statement, which he represented was an accurate summary of his public comment:

“I support Commissioner Makras’ motion to divest from Thermal Coal Companies and invest instead in Renewables, although I don’t think this goes far enough. As oil and gas stocks continue tumbling, SFERS should divest from all fossil fuels, not just to help stop global warming, but also as a prudent method to avoid further losses to SFERS’ investments during inevitable fossil fuel down markets.

I was pleased seeing Robyn Purchia’s article — “Pension fund invests in dirty fossil fuels” — in this morning’s San Francisco Examiner, in which she argues clearly SFERS should remove Jay Huish as Executive Director.

“He doesn't do his job,” Purchia noted. That’s a mouthful many of us have been saying for a long time. As Purchia wrote, Huish frequently fails to respond to Board member information requests. It’s way past time for the SFERS Board’s Personnel Committee to terminate Huish as an embarrassment to our Pension Fund.”

John Furlan spoke in support of the ESG Committee considering next generation fusion and fission as part of its discussion of renewable energy.

David Williams, Local 1021 Retirees, spoke in support of divestment from fossil fuels. He requested clarification of the timeline for action in the motion. He urged the Board to be a leader in this area.

Reverend Spaldings, Ceres, commended the Board for its proposed motion and consideration of investment in renewables and urged a broad range of other engagement actions to move to a low carbon future.

Jeremy Pollack, Office of Supervisor Avalos, spoke in support of the motion and further urged a broad definition of coal holdings.

Cathy Cessean, retiree, requested clarification of the definition of coal holdings in the motion, and urged strict divestment from coal based on the size of a company's reserves.

Larry Barsetti, Veteran POA, spoke in support of the motion but urged caution to maximize the returns to the fund.

Mr. Huish noted that the Board was moving from Level II to Level III under its existing Social Investment Policy. Ms. Porter noted that a divestment decision needed to be based on sound investment considerations.

Commissioner Stansbury recommended that the matter be tabled and referred to the ESG Committee. Mr. Huish noted that staff would need to develop a methodology and plan to prudently divest and reinvest.

Action: Moved by Commissioner Makras, Seconded by Commissioner Cohen to prudently divest from thermal coal companies held in the portfolio consistent with the Board's Social Investment Policy and to prudently reinvest in renewables.

Ayes: Bridges, Cohen, Driscoll, Meiberger, Makras, Paskin-Jordan,
Noes: Stansbury

11.	120915-11	Discussion Item	Report on Investment Performance of the Retirement Fund for the Quarter Ended September 30, 2015
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Documents provided to the Retirement Board prior to the current meeting: Fund Strategy Report

William J. Coaker, Jr., Chief Investment Officer, Bob Shaw, Managing Director for Public Markets, and Eunice McHugh, Han Pham and Vicky Owens, Senior Portfolio Managers, submitted an oral and written report on this item.

Mr. Shaw reported that for the quarter ended September 30, 2015, the Retirement Fund was valued at \$19.7 billion, providing a net of fees total return of -4.07% for the quarter and the Fiscal Year-to-Date.

Commissioner Cohen left the meeting at 4:12 and returned at 4:15 PM.

Commissioner Paskin Jordan left the meeting at 4:15 PM and returned at 4:22 PM.

Commissioner Bridges left the meeting at 4:24 and returned at 4:30 PM

Commissioner Stansbury left the meeting from 4:31 and returned at 4:37 PM.

President Cohen called for public comment.

John Furlan requested more detail on risk and valuation in public equities.

Action: This was a discussion only item.

12. 120915-12 Discussion Item Report on Managers Under Review

Documents provided to the Retirement Board prior to the current meeting: Staff Report

William J. Coaker, Jr., Chief Investment Officer, and Bob Shaw, Managing Director for Public Markets, submitted an oral and written report on this item.

Mr. Shaw reported that each quarter investment staff and consultant provide the Retirement Board with details regarding the current status of investment managers that have been placed under review in accordance with the Guidelines for Equity and Fixed Income Manager Monitoring and Retention.

No managers were added to the “Under Review” list in the quarter ended September 30, 2015.

President Cohen called for public comment.

There were no comments from the public.

Commissioner Meiberger discussed the status of Prima, and Commissioner Driscoll discussed Capital Guardian.

Commissioner Bridges discussed Bivium. Mr. Coaker reported staff is completing due diligence. Commissioner Bridges requested additional information when available.

Action: This was a discussion only item

13. 120915-13 Action Item Core Plus Fixed Income Request for Proposals Hire Recommendation for Baird Advisors and Income Research & Management

Documents provided to the Retirement Board prior to the current meeting: Staff and Consultant memoranda

William J. Coaker, Jr., Chief Investment Officer, Bob Shaw, Managing Director for Public Markets, Eunice McHugh, Senior Portfolio Manager, submitted oral and written reports on this item.

Commissioner Meiberger left the meeting at 4:45 and returned at 4:47 PM.

Mr. Shaw reported that in December 2014, the Board approved the issuance of a Request for Proposals ("RFP") seeking qualified investment managers to provide fully discretionary professional management of an active Core Plus Fixed Income portfolio.

As of the February 2015 RFP submission date, SFERS received proposals from 41 firms (a total of 61 products). All 61 products were evaluated and graded by a review committee consisting of members of the investment staff and Angeles Investment Advisors.

In October 2015, Staff and investment consultant NEPC conducted onsite due diligence meetings with each of the finalists as well as extensive reference calls with both existing and former clients of the finalists. Staff provided details on each hire recommendation as well as each firm (and product) that is not being recommended for hire.

Staff and Consultant recommended that the Board approve Baird Advisors and Income Research and Management be retained for active Fixed Income investment management services.

Commissioner Driscoll noted that Baird is also a manager in the SFDCP portfolio.

President Cohen called for public comment.

There were no comments from the public.

Action: Moved by Commissioner Paskin-Jordan, Seconded by Commissioner Stansbury to engage Baird Advisors and Income Research and Management for active fixed Income investment management services.

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

14. 120915-14

Action Item

Request for Approval to Issue a Request for Proposals for Global Custody and Securities Lending Services

Documents provided to the Retirement Board prior to the current meeting:

William J. Coaker, Jr., Chief Investment Officer, and Bob Shaw, Managing Director for Public Markets, submitted an oral and written report on this item.

Mr. Shaw reported that in August 2013, the Retirement Board approved the issuance a Request

for Proposals for Global Custody and Securities Lending Services (the "Custody RFP"). Staff issued the Custody RFP and evaluated the four Global Custody proposals received. The Board approved three finalists in January 2014.

In September 2015, the Retirement Board approved the cancelation of the August 2013 Custody RFP and voted to continue their consideration of issuing a new Custody RFP to the October 14, 2015 meeting of the Retirement Board. At the October 14, 2015 meeting, Staff presented the updated Custody RFP, which included changes and additional information requested by the Retirement Board in September 2015.

At the October 14, 2015 meeting, Commissioner Meiberger requested additional information.

A revised version of the RFP was presented for approval.

Commissioner Paskin-Jordan left the meeting at 5:02 PM.

Commissioner Meiberger noted that there are outstanding questions regarding securities lending. Mr. Huish noted that the blackout period does not prohibit discussions with current services providers about the services provided to SFERS, only issues related to the RFP.

President Cohen called for public comment.

Patrick Monette-Shaw spoke in opposition to the release of the RFP, noting pending questions posed by Commissioner Makras. He submitted the following written statement, which he represented was an accurate summary of his public comment:

"I oppose SFERS' staff's recommendation to issue the Securities Lending RFP. As I testified on October 14, the "Securities Lending and Cash Management — SFERS's Black Swan" report Commissioner Meiberger shared with me revealed Northern Trust froze SFERS' cash account in 2008, and SFERS had to sell securities to raise cash to pay pensions, in the process SFERS losing at least \$27 million.

On October 14 Commissioner Makras submitted a list of 15 questions to Mr. Huish regarding Northern Trust; on October 23, Huish responded only to Question "H." The other 14 questions appear unanswered. Makras' most important — Question "G" — involved actual realized losses and the projected unrealized losses, that losses may involve at least \$71 million, not \$27 million. Some observers suspect losses involve over \$150 million.

Although a Black Out period may not matter, Huish must answer the other 14 questions. Until then, please vote against issuing this RFP."

Action: Moved by Commissioner Cohen, Seconded by Commissioner Driscoll to approve issuing a Request for Proposals for Global Custody and Securities Lending Services

Ayes: Bridges, Cohen, Driscoll, Meiberger, Makras, Stansbury

Absent: Paskin-Jordan

Commissioner Paskin-Jordan returned to the meeting at 5:09 PM.

15. 120915-15

Chief Investment Officer Report

Documents provided to the Retirement Board prior to the current meeting: CIO Report

William J. Coaker, Jr., Chief Investment Officer, submitted an oral and written report on this item.

Mr. Coaker reported that the fund was valued at \$20.29 billion as of November 30, 2015. SFERS' portfolio was essentially flat in November, inching up 0.03%. Fiscal year to date the portfolio edged down slightly, declining 0.45%. Global equities are down 2.14% this fiscal year, while the bond portfolio has returned 0.26%. Private equity and real assets have gained 4.87% and 3.96%, respectively, thus far this year, backed by a strong exit market.

The following investments approved by the Board in closed session were reported:

Arcadius (SW) Energy Capital, L.P.

At its meeting on October 14, 2015, the Retirement Board approved in closed session an investment of up to \$50 million but no more than ten percent of the hard cap of the dollars raised in Arcadius (SW) Energy Capital, L.P. ("Fund II"). The investment was approved by the following vote:

Ayes: Bridges, Cohen, Driscoll, Paskin-Jordan

Noes: Makras, Meiberger,

Absent: Stansbury

SFERS' investment closed on November 30, 2015. SFERS' investment in Fund II is classified as a natural resources investment within SFERS' Real Assets portfolio.

Arcadius Capital Partners Inc. was founded in 2011 and more information about the firm is available on <http://arcadiuscapital.com>

Thoma Bravo Discover Fund, L.P.

At its meeting on November 18, 2015, the Retirement Board approved in closed session an investment of up to \$50 million in Thoma Bravo Discover Fund, L.P. The investment was approved by the following vote:

Ayes: Bridges, Driscoll, Meiberger, and Paskin-Jordan

SFERS' investment of \$35 million in Thoma Bravo Discover Fund, L.P. closed on November 24, 2015.

This investment is classified as a buyout investment within SFERS' private equity portfolio and is SFERS' fifth investment with Thoma Bravo.

More information about Thoma Bravo is available on <http://www.thomabravo.com>

Commissioner Makras discussed the NEPC data on diversity of ownership of managers in their database. Allan Martin from NEPC noted the information is available for publically traded firms.

President Cohen called for public comment.

There were no comments from the public.

DEFERRED COMPENSATION PLAN CALENDAR

16. 120915-16 Discussion Item SFDCP Manager Report

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum and Report

Caryn Bortnick, Interim Deferred Compensation Manager, submitted an oral and written report on this item.

Ms. Bortnick reported that a Deferred Compensation Manager has been hired and will be at the next Committee meeting.

President Cohen called for public comment.

There were no comments from the public.

Action: This is a discussion only item.

ADMINISTRATION CALENDAR

17. 120915-17 Discussion Item Executive Director's Report

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

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

Mr. Huish reported on recent activities involving the Retirement System, including but not limited to:

- 2015 Mandatory Harassment Prevention Training to be completed by all Board members by December 31, 2015.

- SFERS Holiday Party – Friday, December 11th at Cadillac Bar & Grill from 2:00 to 4:00 PM.
- Report on recommendations related to limited reciprocity with the Judges Retirement Systems.
- Schedule of 2016 Retirement Board meetings.

Attachments for Informational Purposes:

- 2015 *Mandatory Harassment Prevention Training* memorandum
- SFERS Holiday Party Announcement
- Letters to President Cohen from Hon. Sharon Reardon and Hon. Harry Dorfman
- 2016 SFERS Board Meeting dates
- *The Cortex Report* of Educational Opportunities
- Blackout Period List
- Forward Calendar

Commissioner Meiberger requested a written follow up on the freezing of assets in the securities lending program. Commissioner Meiberger also discussed the responsiveness of staff to questions raised by Mr. Sai Orr.

President Cohen called for public comment.

There were no comments from the public.

Action: This is a discussion only item.

18. 120915-18 Discussion Item Retirement Board Member Reports and Comments

Documents provided to the Retirement Board prior to the current meeting: No reports.

President Cohen called for public comment.

There were no comments from the public.

Action: This is a discussion only item.

19. 120915-19 Discussion Item Retirement Board Member Good of the Order:

Retirement Board members may request that any matter be calendared. All such requests shall be calendared in a reasonable time. (Board Operations Policy ¶24.) The Board will not discuss any items requested to be calendared until a subsequent meeting when the matter is included on the agenda with the required public notice.

Commissioner Meiberger requested the development of a written policy on responding to member and

Commissioner requests.

Commissioner Makras suggested a review of the existing Board Communications Policy.

President Cohen called for public comment.

Clare Zvanski, RECCSF, recommended the development of a communications log and acknowledgement of all requests received.

Herbert Weiner, Retiree, urged greater transparency in the Board's actions and noted that responding in a timely manner reflects on the overall performance of the System.

This was a discussion only item.

CLOSED SESSION

20. 120915-20 Discussion Closed Session

President Cohen called for public comment.

Larry Barsetti, POB, urged the Board to secure outside legal counsel in the matter of the Proposition C litigation and supplemental COLAs, and noted that if the pre-1996 retirees did not get a supplemental COLA that POB would sue on their behalf.

Claire Zvanski, RECCSF, spoke in support of POBs request for outside counsel and in support of retiree supplemental COLAs.

Joe Asaro, POB, spoke in support of supplemental COLAs for retirees as provided by the Charter.

Moved by Commissioner Meiberger, Seconded by Commission Paskin-Jordan to meet in closed session.
Ayes: Bridges, Cohen, Driscoll, Meiberger, Makras, Paskin-Jordan, Stansbury

The Board entered closed session at 5:40 PM.

The following individuals were present for the closed session: Commissioners Bridges, Cohen, Driscoll, Meiberger, Makras, Paskin-Jordan, Stansbury; Jay Huish, Executive Director; Caryn Bortnick, Deputy Director; Katie Porter, William Lin and Tran Ly, Deputy City Attorneys; and, Norm Nickens, Board Secretary.

The Board returned to open session at 6:25 PM.

Commissioner Paskin-Jordan disclosed that her husband is a pre-1996 retiree.

Action: Moved by Commissioner Stansbury, Seconded by Commissioner Driscoll to disclose that the Board had discussed the item and will continue discussion in closed session at the January 20, 2016 meeting.

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

21. 120915-21

Adjournment

Having no further business, the Board adjourned the meeting at 6:30 PM.

Respectfully submitted,
Jay Huish, Executive Director