



# SFERS

San Francisco Employees' Retirement System

## City and County of San Francisco Employees' Retirement System RETIREMENT BOARD MEETING MINUTES

**Wednesday, January 9, 2019**

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

1:00 p.m.

Please take notice that the Retirement Board will begin its meeting with a closed session item. The Board will take public comment before going into closed session, limited to the topic of the closed session item. The Board will return to open session and begin the public portion of the meeting with General Public Comment, not earlier than 2:30 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.*

### RETIREMENT BOARD MEMBERS

#### *President*

Brian Stansbury

#### *Vice President*

Wendy Paskin-Jordan

#### *Commissioners*

Leona Bridges

Carmen Chu

Al Casciato

Joseph Driscoll

Ahsha Safaí

#### *Executive Director*

Jay Huish

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San Francisco, CA 94103-4689  
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### OPENING CALENDAR

#### 1. Pledge of Allegiance

#### 2. Roll Call

Commissioner Leona Bridges	1:25 PM
Commissioner Al Casciato	Absent
Commissioner Carmen Chu	1:25 PM
Commissioner Driscoll	1:25 PM
Vice President Wendy Paskin-Jordan	1:25 PM
Commissioner Ahsha Safai	2:15 PM
President Brian Stansbury	Absent

#### 3. 010919-03                      Action Item                      CLOSED SESSION

Commissioner Paskin-Jordan called for public comment on the Board going into closed session.

There were no comments and public comment was closed.

Action: Moved by Commissioner Chu, seconded by Commissioner Bridges to go into Closed Session for Possible Recommendation and/or Action on Sale and Purchase of Particular, Specific Pension Fund Investment under California Government Code Section 54956.81 (five Investment recommendations).

Ayes: Commissioners Bridges, Chu, Driscoll, Paskin-Jordan

Absent: Commissioner Casciato, Safai, Stansbury

The Board entered closed session at 1:30 PM

The following individuals were present for the closed session: Commissioners Bridges, Chu, Driscoll, Paskin-Jordan, Safai; Jay Huish, Executive Director; Caryn Bortnick, Deputy Executive Director; William J. Coaker, Chief Investment Officer; Kurt Braitberg, Managing Director, Public Markets; Anna Langs, Managing Director of Asset Allocation, Risk Management, and Innovative Solutions; Tanya Kemp, Interim Managing Director for Private Markets; Andrew Collins, Director of ESG Investing; Victoria Owens, Ed Comerford, Justin Lo, Bo Williamson, Han Pham, Chris Chow, Senior Portfolio Managers; Alo Martins, Mark Coleman, Dennis Esselsagoe, Kien Trinh, Cynthia Wong, Security Analysts; Darlene Armanino, Board Secretary; Robert Bryan, Molly Nordale, William Lin, Deputy City Attorneys; Kelly Jensen, Anita Ng, Rob Long, Scott Martin, Cambridge; Allan Martin, NEPC.

Board ended Closed Session at 3:00 PM

Break 3:00 PM – 3:25 PM

The Board returned to open session at 3:25 PM

Action: Moved by Commissioner Chu, seconded by Commissioner Driscoll not to disclose discussions held in closed session under San Francisco Administrative Code Section 67.12(a).

Ayes: Commissioners Bridges, Chu, Driscoll, Paskin-Jordan, Safaí

Absent: Commissioners Casciato, Stansbury

**4. 010919-04 General Public Comment - Not earlier than 2:30 PM**

Commissioner Paskin-Jordan called for General Public Comment.

John Stenson, member of pension fund, spoke about investment strategy.

There were no additional comments and General Public Comment was closed.

**5. 010919-05 Action Item Approval of the Minutes of the December 12, 2018 Meeting**

Documents provided to the Retirement Board prior to the current meeting: Draft Minutes of the December 12, 2018 Retirement Board Meeting

Commissioner Paskin-Jordan called for public comment.

There were no comments and public comment was closed.

Action: Moved by Commissioner Driscoll, seconded by Commissioner Chu to approve the minutes of the December 12, 2018 meeting.

Ayes: Commissioners Bridges, Chu, Driscoll, Paskin-Jordan, Safaí

Absent: Commissioners Casciato, 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.*

<b>6. 010919-06a</b>	<b>Action Item</b>	<b>Consent Calendar</b>
<b>010919-06b</b>	<b>Action Item</b>	<b>Voluntary Retirement Board List No. 7-18</b>
<b>010919-06c</b>	<b>Action Item</b>	<b>Decisions of Hearing Officers</b>
<b>Marigrace Bannon Effective Date: PERS</b>	<b>8444 Deputy Probation Officer Adult Probation</b>	<b>Cal-PERS - Disability Retirement Certified</b>
<b>Linda S. Chen Effective Date: 3/1/17</b>	<b>Q4 Police Officer III Police</b>	<b>Industrial Disability Retirement Granted</b>
<b>Gregory R. Dare (Deceased – 2/22/16) Effective Date: 2/23/16</b>	<b>Q62 Lieutenant III Police</b>	<b>Death As A Result of Duty Granted</b>
<b>Katherine J. Davis Effective Date: PERS</b>	<b>8444 Deputy Probation Officer Adult Probation</b>	<b>Cal-PERS - Disability Retirement Certified</b>
<b>Jeffrey T. Fresnoza Effective Date: 4/1/17</b>	<b>420C Deputy Court Clerk II Trial Courts</b>	<b>Ordinary Disability Retirement Granted</b>
<b>Stephanie L. McKnight Effective Date: 1/3/17</b>	<b>H2 Firefighter Fire</b>	<b>Industrial Disability Retirement Granted</b>
<b>Jordan Oryall Effective Date: 6/30/17</b>	<b>Q3 Police Officer II Police</b>	<b>Industrial Disability Retirement Granted</b>
<b>Alvin J. Ung Effective Date: PERS</b>	<b>8308 Sheriff's Sergeant Sheriff</b>	<b>Cal-PERS - Disability Retirement Certified</b>
<b>Sara E. Vellve Effective Date: 7/1/18</b>	<b>5291 Planner III City Planning</b>	<b>Ordinary Disability Retirement Granted</b>
<b>David Wong Effective Date: PERS</b>	<b>8304 Deputy Sheriff Sheriff</b>	<b>Cal-PERS - Disability Retirement Certified</b>

**010919-06d**

**Action Item**

**Travel Requests**

Request travel approval for Commissioner Leona Bridges to attend the CII Spring 2019 Conference, March 4-6, 2019, Washington, DC.

**010919-06e**

**Discussion Item**

**Retirement Board Member  
Reports and Comments**

Report by Commissioner Leona Bridges who attended BlackRock and CalSTRS Beyond Talk – Accelerating Progress on Gender Diversity, December 12, 2018, New York City.

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

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

Commissioner Paskin-Jordan called for public comment.

There were no comments and public comment was closed.

Action: Moved by Commissioner Chu, seconded by Commissioner Safaí to approve Consent Calendar.

Ayes: Commissioners Bridges, Chu, Driscoll, Paskin-Jordan, Safaí

Absent: Commissioners Casciato, Stansbury

### **INVESTMENT CALENDAR**

7. **010919-07**      **Action Item**      **Review and Approval of Investment Guidelines for Select Equity Group**

Documents provided to the Retirement Board prior to the current meeting: Investment Guidelines – Select Equity Group

William J. Coaker, Chief Investment Officer, reported that last month, the Retirement Board approved an investment of up to \$500 million in Select Equity Group's Baxter Street Strategy, which invests in international public equities. He reported that, after discussions between SEG and SFERS Investment Staff, the recommended Investment Guidelines define the benchmarks, as well as portfolio objectives and constraints, which are consistent with SEG's investment process. Once approved by the Board, the guidelines will be incorporated into the Investment Management Agreement with SEG.

Han Pham, Senior Portfolio Manager, Public Equity, provided an oral and written report on this item.

Ms. Pham noted that this investment will be a separate account and that this investment will be subject to all of the investment restrictions SFERS has in place.

The Board reviewed and discussed the material and engaged in a question and answer session with staff.

Ahsha Safai left the meeting at 3:40 PM

Commissioner Paskin-Jordan called for public comment.

There were no comments and public comment was closed.

Action: Moved by Commissioner Chu, seconded by Commissioner Driscoll to approve Investment Guidelines for Select Equity Group's International Long-Only Strategy

Ayes: Commissioners Bridges, Chu, Driscoll, Paskin-Jordan

Absent: Commissioners Casciato, Stansbury, Safai

**8. 010919-08                      Action Item                      Recommendation to Terminate Fidelity Institutional Asset Management's Select International Small Cap Strategy**

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

Kurt Braitberg, Managing Director, Public Markets, presented an oral and written report on this item. Staff recommended supported the termination of the Fidelity Institutional Asset Management Select International Small Cap strategy.

Allan Martin, NEPC, stated that Fidelity's performance has not been good for a while and they have experienced some loss of assets, so they are in full support of this recommendation.

The Board reviewed and discussed the material and engaged in a question and answer session with staff.

Commissioner Paskin-Jordan called for public comment.

There were no comments and public comment was closed.

Action: Moved by Commissioner Chu, seconded by Commissioner Bridges, to terminate Fidelity Institutional Asset Management's Select International Small Cap Strategy

Ayes: Commissioners Bridges, Chu, Driscoll, Paskin-Jordan

Absent: Commissioners Casciato, Safai, Stansbury

**9. 010919-09 Discussion Item Chief Investment Officer Report**

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

William J. Coaker, Chief Investment Officer, presented a written and oral report on investment returns and market discussions.

Performance in CY 2018 was bolstered by very strong returns in all three private market strategies. Private Equity portfolio gained 21.05% this year. Real Assets and Private Credit portfolios posted double digit returns of 15.86% and 12.87%.

CIO Coaker noted that SFERS investment strategy emphasizes asset allocation, diversification, manager selection, and risk management, with an objective to earn high long-term returns while simultaneously reducing the impact a large loss would have on SFERS funded status. This strategy has proven effective, posting top decline returns or better over the past 1, 3 and 5 years compared to other defined benefit plans with assets of more than \$1 billion.

Allan Martin, NEPC, stated that making money in a year where the markets were negative is a substantial accomplishment.

The Board reviewed and discussed the material and engaged in a question and answer session with staff.

Closed Session Disclosures:

**CMC Capital Partners III, L.P.**

At its meeting on December 12, 2018, the Retirement Board approved in closed session an investment of up to \$100 million in CMC Capital Partners III, L.P. The investment was approved by the following vote:

Ayes: Commissioners Casciato, Chu, Driscoll, Paskin-Jordan, Safai, Stansbury

Noes: None

Absent: Commissioner Bridges

SFERS' investment of \$100 million in CMC Capital Partners III, L.P. closed on December 18, 2018.

This investment is classified as a Growth Capital investment within SFERS' private equity portfolio and is SFERS' second investment with CMC.

More information about CMC is available on <http://www.cmccap.com>

**Fifth Wall Ventures II, L.P.**

At its meeting on October 10, 2018, the Retirement Board approved in closed session an investment of up to \$25 million in Fifth Wall Ventures II, L.P. The investment was approved by the following vote:



Ayes: Commissioners Bridges, Casciato, Chu, Driscoll, Paskin-Jordan, Stansbury

Noes: None

Absent: Commissioner Safaí

SFERS' investment of \$25 million to Fifth Wall Ventures II, L.P. closed on December 17, 2018.

This investment will be classified as a Venture Capital investment within SFERS' Private Equity portfolio.

More information about Fifth Wall Ventures is available on <https://fifthwall.vc>.

**Lightspeed China Partners IV, L.P. and Lightspeed China Partners Select I, L.P.**

At its meeting on November 14, 2018, the Retirement Board approved in closed session an investment of up to \$40 million to be allocated between Lightspeed China Partners IV, L.P. and Lightspeed China Partners Select I, L.P. The investments were approved by the following vote:

Ayes: Commissioners Bridges, Casciato, Driscoll, Paskin-Jordan, Safaí

Noes: None

Absent: Commissioners Stansbury, Chu

SFERS' investments of \$27 million to Lightspeed China Partners IV, L.P. and \$9 million to Lightspeed China Partners Select I, L.P. closed on December 18, 2018.

These investments will be classified as Venture Capital within SFERS' Private Equity portfolio.

More information about Lightspeed China Partners is available on <http://www.lightspeedcp.com/En>.

**MGG SF Evergreen Unlevered Fund LP**

At its meeting on November 14, 2018, the Retirement Board approved in closed session an investment of up to \$75 million in MGG SF Evergreen Unlevered Fund LP. The investment was approved by the following vote:

Ayes: Commissioners Bridges, Chu, Driscoll, Paskin-Jordan

Absent: Commissioners Casciato, Safaí, Stansbury

SFERS' investment of \$75 million to MGG SF Evergreen Unlevered Fund LP closed on December 21, 2018. This investment will be classified as a senior debt investment within SFERS' Private Credit portfolio.

More information about MGG is available at <https://mginv.com/>.

Commissioner Safaí returned to the meeting at 3:55 PM

CIO Coaker announced that they are currently conducting searches for a permanent Managing Director of Private Markets as well as three Security Analysts for Private and Liquid Credit, Real Assets, and ESG. Mr. Coaker reported that the December 19, 2018 Investment Committee meeting has been rescheduled for Wednesday, January 16, 2019.

CIO Coaker reported that at the upcoming Investment Committee meeting, Anna Lang, SFERS Managing Director of Asset Allocation, Risk Management, and Innovative Solutions, and he will present a liquidity analysis, a report on Cash Flow Forecasting by Cambridge, as well as a presentation on asset allocation and risk review for SFERS Trust as a whole. Additional presenters will include senior representatives from Caissa, Cambridge, and Torrey Cove.

The Board reviewed and discussed the material and engaged in a question and answer session with staff.

Commissioner Paskin-Jordan called for public comment.

John Stenson urged the Board to divest in hedge funds.

There were no additional comments and public comment was closed.

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

#### DEFERRED COMPENSATION PLAN CALENDAR

**10. 010919-10                      Action Item                      Recommendation of RFP finalist for third party  
administration of the SFDCP**

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Memo Exhibits and Callan TPA Search Presentation

Greg Ungerman and Jana Steele, Callan, provided the Board the details and timeline of the SFDCP Recordkeeper RFP process. After extensive due diligence, Staff and Consultants are recommending Voya as the SFDCP Recordkeeper RFP finalist. They reported that Staff and Consultant strongly believe that Voya is the best overfill fit with the highest value proposition for the SFDCP.

The Board reviewed and discussed the material and engaged in a question and answer session with staff.

Commissioner Bridges commented that she has reviewed the report in its entirety, for the second time, and is supportive of the recommendation to engage Voya as the SFDCP recordkeeper.

Jay Huish, Executive Director, reported to the Board that when Staff and Consultant's final recommendation to engage Voya was presented to the Deferred Comp Committee in September,

President Stansbury requested that the committee delay or continue the item to give staff an opportunity to meet with interested groups who might have questions regarding the RFP process and the recommendation to engage Voya as the SFDCP recordkeeper. Mr. Huish reported that the committee agreed to continue the recommendation for six weeks at President Stansbury's request. During this period Mr. Huish and Deputy Executive Director Caryn Bortnick were invited to meet with the Public Employee Committee, a committee of the San Francisco Labor Council, on October 23, 2018. Mr. Huish reported that Retirement Staff was given the opportunity to explain the RFP process as well as the Board's policy related to taking all vendor contracts out to bid every five years. Mr. Huish reported that Staff answered all questions asked at the Public Employee Committee meeting.

On October 24, 2018, Staff and Consultant's recommendation to engage Voya as the SFDCP recordkeeper was again presented to the Deferred Compensation Committee. The Deferred Compensation Committee voted to forward the recommendation to the full Board with a committee recommendation to engage Voya as the SFDCP recordkeeper. During public comment at the October 24, 2018 Deferred Compensation Committee meeting, statements were made related to bias against the incumbent recordkeeper, Prudential, in the RFP process. Members of the Deferred Compensation Committee requested Mr. Huish to follow up on the statements related to bias in the RFP process and report back to the committee on his due diligence.

At a special Deferred Compensation Committee meeting on December 27, 2018, Mr. Huish reported to the committee that he had contacted the person who was specifically identified in the public comment to discuss his statements related to bias in the reference checking phase of the RFP process as well as the reported bias of one member of the RFP evaluation team. Mr. Huish reported that, based on his discussions with the identified person, he could not substantiate the statements attributed to the identified person that were included in the public comment at the October committee meeting.

Mr. Huish reported that as additional independent due diligence related to the reasonableness of Staff and Consultant's recommendation to engage Voya as SFDCP recordkeeper, SFERS engaged Meketa Investment Group to review all proposals submitted under the recordkeeper RFP and provide the Committee with their independent, expert analysis as to the reasonableness of Staff and Consultant's recommendation. After hearing the due diligence reports from Mr. Huish and Meketa, the Deferred Compensation Committee reaffirmed their October 2018 decision to forward the recommendation to the full Board, with a committee recommendation to approve engaging Voya as the new SFDCP recordkeeper.

Mika Malone, Managing Principal, Meketa Investment Group, reported to the Board that based on their analysis of the proposals and recommendation, they believe that Staff's decision to recommend Voya as the next SFDCP recordkeeper was reasonable and prudent under the scoring criteria outlined in the RFP.

Commissioner Safaí stated that he received a letter from one of the City's representative unions regarding a charge of unfair labor practice against the Retirement System for failure to meet and confer with labor organizations regarding the Retirement System's decision to take the SFDCP

recordkeeper contract out to bid. Commissioner Safai asked the City Attorney how this letter would impact the Board's decision on this matter. Robert Bryan, City Attorney, stated that the Board could make decisions to proceed to implement Staff and Consultant's recommendation, although not entirely risk free. Mr. Huish reported that when he first received the request to meet and confer, at a point in time after issuance of the RFP and after Staff and Consultant had concluded their due diligence and reached a recommendation to change the SFDCP recordkeeper vendor, he referred the meet and confer request to the City. He reported that the City advised him to communicate back to the labor organization that it has been the long-standing practice of issuing vendor RFPs is within the authority of the Retirement Board, and further, that changing the SFDCP recordkeeper vendor does not meet the criteria to require meet and confer in this matter.

Commissioner Driscoll stated that the entire RFP process, including the Deferred Compensation Committee and Retirement Board's decision to issue the RFP, was conducted in numerous public meetings at which labor representatives would be welcome to provide public comment.

Commissioner Chu spoke about timing of the recordkeeper contracts and Board policy of going out to bid every 5 years to make sure we have the best vendors. She asked Staff whether it is prudent to proceed with the recommendation to contract with Voya in light of the risk associated with the meet and confer unfair labor charge.

Commissioner Bridges stated that given the union letters that were distributed today, she recommended that the vote to approve Staff and Consultant's recommendation should be subject to conferring further with the City Attorney as Staff proceeds to implement the Board's decision to engage Voya as SFDCP recordkeeper.

Commissioner Paskin-Jordan called for public comment.

Brian McCleave, Government Markets, Prudential Retirement, spoke against Staff and Consultant's recommendation and stated that Prudential supports the union movement related to the RFP and the evaluation.

Michael Hebel, Welfare Officer for San Francisco Police Officer's Association, commented on the letter sent from SFPOA President Montoya confirming position of SFPOA against Staff and Consultant's recommendation. Mr. Hebel stated that it is very disruptive to participants for plans to change recordkeepers so frequently and urged the Board for better communications with City labor organizations.

Herbert Weiner, City Retiree, spoke of his concerns about accountability procedures.

John Stenson spoke about divestment in hedge funds.

There were no additional comments and public comment was closed.

Commissioner Chu stated that she appreciated the comments from the City's labor partners and others who came to provide public comment on this matter and confirmed that the Board and Staff

have heard the public comments and have taken into account how the Plan needs to communicate more effectively with members regarding what plan participants need or would like to see in the SFDCP. Commissioner Chu stated that, with regard to the RFP process, it is part of our Board's policy to go out to bid every 5 years and there is nothing unusual or different about this SFDCP recordkeeper RFP. She stated that it is something that the Board has done, time and time again, and she has not seen anything that rises to a level of concern for the Retirement System to restart the RFP process.

Action: Moved by Commissioner Bridges, seconded by Commissioner Driscoll to approve Staff and Consultant's recommendation to engage Voya as SFDCP recordkeeper subject to conferring with City Attorney on any potential violations of labor or securities laws related to this RFP.

Ayes: Commissioners Bridges, Chu, Driscoll, Paskin-Jordan, Safaí  
Absent: Commissioners Casciato, Stansbury

### ADMINISTRATION CALENDAR

**11. 010919-11            Action Item            Review and Approval of revised Resolution 44**

Documents provided to the Retirement Board prior to the current meeting: Draft Resolution 44

Staff presented the amended Resolution 44 to the Board reflecting SFERS staff changes related to the delegation of executory and investment authority for the SFERS Trust.

Commissioner Paskin-Jordan called for public comment.

There were no comments and public comment was closed.

Action: Moved by Commissioner Bridges, seconded by Commissioner Chu to approve Amended Revised Resolution 44.

Ayes: Commissioners Bridges, Chu, Driscoll, Paskin-Jordan, Safaí  
Absent: Commissioners Casciato, Stansbury

**12. 010919-12            Discussion Item            Report on Request for Proposals for Portfolio Monitoring and Securities Litigation Evaluation and Reporting**

Documents provided to the Retirement Board prior to the current meeting: City Attorney Memorandum

Robert Bryan, Deputy City Attorney, presented an oral and written report on this item.

Commissioner Paskin-Jordan called for public comment.

Claire Zvanski asked the Board for clarification on the name of one of the proposals, Berman Tobacco. Mr. Huish confirmed it is the surname of a partner, not a product.

There were no additional comments and public comment was closed.

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

**13. 010919-13                      Discussion Item                      Executive Director's Report**

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

Mr. Huish stressed the importance of the Board members attendance at the next Investment Committee meeting on risk analysis.

Administrative Update:

- 2019 Investment Committee Meeting Schedule: January 16<sup>th</sup>, April 17<sup>th</sup>, July 17<sup>th</sup>, and October 16<sup>th</sup>

Commissioner Paskin-Jordan called for public comment.

There were no comments and public comment was closed.

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

**14. 010919-14                      Discussion Item                      Retirement Board Member Good of the Order**

Retirement Board members may request that any matter be calendared at a future meeting. 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 Chu requested that Staff provide the Board with a listing and calendar of reports that should be presented to the Board.

Commissioner Driscoll, referencing Mr. Hebel's public comment on the SFDCP recordkeeper item, stated that, going forward, he is more than happy to talk to anyone about how, why and what the Retirement System did related to the SFDCP and how and why the Retirement Board and Staff are always trying to make the plan better.

Commissioner Paskin-Jordan called for public comment.

There were no comments and public comment was closed.

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

**15. 010919-15**

**Adjournment**

Having no further business, the Board adjourned the meeting at 5:05 PM



Respectfully submitted,  
Jay Huish, Executive Director