



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

RETIREMENT BOARD

MEETING MINUTES

Wednesday, September 11, 2019

1145 Market Street, 6th 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 3:00 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

Joseph Driscoll

Vice President

Leona Bridges

Commissioners

Al Casciato

Carmen Chu

Scott Heldfond

Ahsha Safai

Brian Stansbury

Executive Director

Jay Huish

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Sunshine Ordinance Task Force
City Hall
1 Dr Carlton B. Goodlett Place, Room 244
San Francisco, CA 94103-4689
(415) 554-7724
by fax at (415) 554-7854
or by email at sotf@sfgov.org

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OPENING CALENDAR

1. Pledge of Allegiance

2. Roll Call

Commissioner Leona Bridges	1:15 PM
Commissioner Al Casciato	1:15 PM
Commissioner Carmen Chu	Absent
President Joseph Driscoll	1:15 PM
Commissioner Heldfond	1:15 PM
Commissioner Ahsha Safaí	1:15 PM
Commissioner Stansbury	1:15 PM

3. 091119-03 Action Item CLOSED SESSION

President Driscoll called for public comment on the Board going into closed session.

There were no comments and public comment was closed.

The Board entered closed session at 1:15 PM

The following individuals were present for the closed session: Commissioners Bridges, Casciato, Driscoll, Heldfond, Safaí, Stansbury; Jay Huish, Executive Director; Caryn Bortnick, Deputy Executive Director; William J. Coaker, Chief Investment Officer; Anna Langs, Managing Director Asset Allocation, Risk Management and Innovative Solutions; David Francl, Managing Director, Absolute Returns; Tanya Kemp, Managing Director for Private Markets; Ed Comerford, Director for Real Assets; Andrew Collins, Director of ESG Investing; Han Pham, Director Public Equity; Victoria Owens, Justin Lo, Senior Portfolio Managers; Dennis Esselsagoe, Luke Angus, Tiffany Dong, Kien Trinh, Chris Terrazzano, Cynthia Wong, Security Analysts; Karen Perez, Investment Management Assistant; Darlene Armanino, Board Secretary; Robert Bryan, Molly Nordale, Deputy City Attorneys; Kelly Jensen, Anita Ng, Cambridge Associates; Dan Hennessy, NEPC.

Board ended Closed Session at 4:35 PM

Meeting recessed from 4:35 PM to 4:45 PM

The Board returned to open session at 4:45 PM

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

Ayes: Commissioners Bridges, Casciato, Driscoll, Heldfond, Safaí, Stansbury
Absent: Commissioner Chu

4. 091119-04 General Public Comment - Not earlier than 3:00 PM

President Driscoll called for General Public Comment.

John Stenson, Member, urged Board to invest in passive investments such as stocks, bonds and real estate.

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

5. 091119-05 Action Item Approval of the Minutes of the August 14, 2019 Meeting

Documents provided to the Retirement Board prior to the current meeting: Draft Minutes of the August 14, 2019 Retirement Board Meeting

Action: Moved by Commissioner Casciato, Seconded by Commissioner Heldfond, to Approve Minutes of the August 14, 2019 Retirement Board Meeting.

Ayes: Commissioners Bridges, Casciato, Driscoll, Heldfond, Safaí, Stansbury

Absent: Commissioner Chu

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. 091119-06	Action Item	Consent Calendar
091119-06b	Action Item	Voluntary Retirement Board List No. 3-19
091119-06c	Action Item	Decisions of Hearing Officers
Stephen J. Corr Effective Date: 8/22/18	7344 Carpenter SFCCD	Ordinary Disability Retirement Granted
Christopher A. Hinnant Effective Date: 6/29/19	2232 Senior Physician Specialist Public Health	Ordinary Disability Retirement Granted

Edwin McRay Effective Date: 7/1/18	9163 Transit Operator MTA	Ordinary Disability Retirement Granted
Lisa M. Moy Effective Date: 10/7/17	H22 Lieutenant, Fire Prevention Fire	Industrial Disability Retirement Granted
James W. Perry II Effective Date: 7/31/19	H3 Paramedic/Firefighter Fire	Industrial Disability Retirement Granted
Joshua Phillips Effective Date: 7/1/19	Q52 Sergeant III Police	Industrial Disability Retirement Granted
Robert G. Rodrin Effective Date: PERS	8304 Deputy Sheriff Sheriff	Cal-PERS - Disability Retirement Certified
Donna A. Steppe-Keys Effective Date: PERS	8310 Sheriff's Lieutenant Sheriff	Cal-PERS - Disability Retirement Certified
Colleen C. Sullivan Effective Date: 1/21/14	Q4 Police Officer III Police	Industrial Disability Retirement Denied
Anene G. Ugbaja Effective Date: PERS	8204 Institutional Police Officer Sheriff	Cal-PERS - Disability Retirement Certified
Stephen Zimmerman Effective Date: 7/1/11	Q52 Sergeant III Police	Industrial Disability Retirement Granted
091119-06d	Action Item	Travel Requests
091119-06e	Discussion Item	Retirement Board Member Reports and Comments

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.

President Driscoll called for public comment.

There were no comments and public comment was closed.

Action: Moved by Commissioner Casciato, Seconded by Commissioner Heldfond to Approve Consent Calendar.

Ayes: Commissioners Bridges, Casciato, Driscoll, Heldfond, Safaí, Stansbury
Absent: Commissioner Chu

Action: Approve Consent Calendar.

PRESIDENT DRISCOLL CALLED ITEM NO. 11

**11. 091119-11 Action Item Request to Enclose Combined Charities Campaign
Correspondence in the September 2019 Retirement
Allowances**

Documents provided to the Retirement Board prior to the current meeting: Combined Charities Campaign Correspondence

President Driscoll called for public comment.

There were no comments and public comment was closed.

Action: Moved by Commissioner Casciato, Seconded by Commissioner Heldfond to Approve Request to Enclose Combined Charities Campaign Correspondence in the September 2019 Retirement Allowances.

Ayes: Commissioners Bridges, Casciato, Driscoll, Heldfond, Safaí, Stansbury
Absent: Commissioner Chu

INVESTMENT CALENDAR

**7. 091119-07 Discussion Item Report on Investment Performance of the Retirement Fund
for the Quarter Ended June 30, 2019**

Documents provided to the Retirement Board prior to the current meeting: NEPC Executive Summary – Quarterly Performance Review, NEPC – Investment Performance Analysis

William Coaker, Chief Investment Officer, and Dan Hennessy, NEPC, presented an oral and written report on this item.

Mr. Hennessy reported that, for the quarter ended June 30, 2019, the SFERS Trust had a market value of \$25.9 Billion. The net of fee total returns for the quarter and the trailing one-year were 3.51% and 8.18%.

Mr. Hennessy reported that SFERS has had exceptional positive returns with far less volatility than other public pension plan peers.

Action: This is a discussion only item.

8. 091119-08 Discussion Item Report on Managers Under Review

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

Dan Hennessy, NEPC, reported that no managers were added to the Under Review List and no managers were removed from the Under Review List.

William Coaker, Chief Investment Officer, reported that there are 3 or 4 research items that are going on right now in the public equity space which could result in another reconstitution of this portfolio which he believes will be significant in excess returns.

President Driscoll asked that staff provide, at a later time, a reason to retain Advent as an investment manager.

Action: This was a discussion only item.

9. 091119-09 Discussion Item Chief Investment Officer Report

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

William Coaker, Chief Investment Officer, presented an oral and written report.

In August SFERS earned a positive return of 0.27%, even as Public Equity returned -1.70%. Performance was boosted by especially strong returns in Private Equity (2.49%), Private Credit (1.78%), Fixed Income (1.33%), and Real Assets (0.84%). Bond yields plunged during the month, resulting in unusually strong returns in Fixed Income. Private Equity returns have benefitted from a strong IPO market and markups based on public equity comparisons.

For the first two months of fiscal year 2019-20 SFERS has edged out a positive return of 0.57%, even though public equity has returned -1.35%.

SFERS is producing a significant amount of alpha, meaning excess returns, compared to our peers, of approximately 2% annualized. In terms of dollars, the amount of excess returns over our peers the past five years has been approximately \$2.5 billion.

To continue to execute on our strategy of a differentiated approach to asset allocation and manager selection, SFERS will require more resources than it currently has.

The next asset allocation study is due to be presented to the Retirement Board in approximately February 2020, five months from now. In that presentation staff will show different asset mixes for various levels of resources including their expected returns and portfolio risk.

President Driscoll called for public comment.

John Stenson, Member, spoke about a 1.7% return on Hedge Funds.

There were no further comments and public comment was closed.

Action: This was a discussion only item.

DEFERRED COMPENSATION PLAN CALENDAR

10. 091119-10 Discussion Item SFDCP Manager Report

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

Diane Chui Justen, Deferred Compensation Plan Manager, reported on the following items:

- SFDCP Monthly Activity Report as of July 31, 2019
- Voya Transition effective September 3, 2019
 - Status update
 - Microsite election results
 - Go Live Postcard
 - TD Ameritrade welcome kits

President Driscoll thanked Ms. Chui Justen for her hard work, in particular related to the successful transition to Voya.

Action: This was a discussion only item.

ADMINISTRATION CALENDAR

12. 091119-12 Discussion Item Executive Director's Report

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

Administrative Update:

- SFERS Operations Management Dashboard – July 2019
- Update on General Consultant RFP – tentative Finalist Presentations to be presented at October 16, 2019 Investment Committee Meeting
- Annual Board Self-Evaluation Surveys – Governance Consultant Ashley Dunning, Nossaman, will have distributed the abbreviated survey to all Board members by the date of the September

Board meeting – please participate in setting the Board’s agenda for the coming year

Attachments:

- SFERS Operations Management Dashboard – July 2019
- Retirement Board Forward Calendar for September 2019 to January 2020
- Request for Proposal in Progress Blackout Period
- *Public Retirement Conferences and Training Programs for SFERS Trustees* – Nossaman LLP
- *The Cortex Report* – Conferences and Training Events listing

Jay Huish, Executive Director, reported that Mark Coleman, Security Analyst for 33 years with the Retirement System, passed away unexpectedly earlier this week and that President Driscoll suggested, and staff fully supports, that the Retirement Board adjourn the meeting in honor of Mark Coleman.

Commissioner Bridges requested that the meeting also be adjourned in memory of the victims of 911 and in a moment of silence.

Action: This is a discussion only item.

13. 091119-13 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.

Retirement Board members had no requests.

Action: This is a discussion only item.

14. 091119-14 Adjournment

Having no further business, the Board adjourned the meeting in honor of Mark Coleman and the victims of 911 at 5:20 PM



Respectfully submitted,
Jay Huish, Executive Director