



**SFERS**  
San Francisco Employees' Retirement System

City and County of San Francisco  
Employees' Retirement System

**DEFERRED COMPENSATION  
COMMITTEE MINUTES**

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**September 17, 2019**

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

**1:00 PM**

**MISSION STATEMENT**

*Our mandate is simple: Deliver an exceptional voluntary retirement program, with empowering education and advanced tools that enable participants to achieve their financial retirement goals.*

**DEFERRED COMPENSATION COMMITTEE MEMBERS**

Commissioner Leona Bridges, *Chair*

Commissioner Joseph Driscoll

Commissioner Brian Stansbury

Jay Huish

*Executive Director*

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1 Dr Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102-4689  
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## OPENING CALENDAR

**1. Pledge of Allegiance**

**2. Roll Call**

Commissioner Bridges 1:10 PM  
Commissioner Driscoll 1:10 PM  
Commissioner Stansbury 1:10 PM

**3. 091719-03**

**General Public Comment**

Commissioner Bridges called for general public comment.

There were no comments from the public and public comment was closed.

**4. 091719-04 Action Item**

**Approval of the Minutes of the June 11, 2019 Deferred Compensation Committee Meeting**

Documents provided to the Committee prior to the current meeting: Draft Minutes of the June 11, 2019 Deferred Compensation Committee Meeting

Commissioner Bridges called for public comment.

There were no comments from the public and public comment was closed.

Action: Moved by Commissioner Driscoll, Seconded by Commissioner Stansbury, to approve Minutes of the June 11, 2019 Deferred Compensation Committee Meeting.

Ayes: Commissioners Bridges, Driscoll, Stansbury

**5. 091719-05 Action Item**

**Watch List Recommendations and Stable Value Search Process**

Documents provided to the Committee prior to the current meeting: Staff Memorandum and Callan Presentation

Diane Chui Justen, Deferred Compensation Plan Manager, Ben Taylor, Kyle Fekete, and Nathan Wong, Callan, presented a written and oral report on this item.

SFDCP Investment Managers or Funds may be subject to additional monitoring (the "Watch List") if it meets certain criteria set forth in Exhibit C of the SFDCP's Investment Policy Statement (the "Watch List Policy").

The Plan's Watch List Policy includes both qualitative (e.g., personnel/organization changes, style drift concerns, etc.) and quantitative criteria (e.g., performance relative to benchmark and relevant peer group). An Investment Manager's or Fund's failure to remedy the concerns leading to its placement on the Watch List within a reasonable time may be grounds for termination. Nothing in this Policy precludes the Retirement Board from retaining an Investment Manager, or continuing the investment in a Fund, on the Watch List if it deems doing so appropriate and in the best interests of the Plan and Participants.

SFDCP's Investment Consultant, Callan, recommends placing Galliard (manager of Stable Value) on the Watch List due to the significance of the announced organizational changes. Callan also recommends placing Morgan Stanley's Global Real Estate Fund and US Real Estate Funds on watch due to persistent underperformance relative to peers and the funds' respective benchmark indexes.

The SFDCP has contracted with Galliard for investment management of the SFDCP Stable Value Fund. The term of this agreement, which commenced on June 18, 2014 with a termination date of June 30, 2019, has been extended until June 30, 2020. As a result, an investment manager search is required, and Callan will be conducting the search process.

The Committee reviewed and discussed the report and engaged in a question and answer session.

Commissioner Bridges called for public comment.

There were no comments from the public and public comment was closed.

Action: Moved by Commissioner Stansbury, Seconded by Commissioner Driscoll to approve Watch List Recommendations; to conduct a search to replace Morgan Stanley; and motion to direct staff to conduct a search for Stable Value Manager.

Ayes: Commissioners Bridges, Driscoll, Stansbury

**6. 091719-06      Discussion Item                      Update on SFDCP Transition to Voya**

Documents provided to the Committee prior to the current meeting: Staff Memorandum and Voya Presentation

Diane Chui Justen, Deferred Compensation Plan Manager, Brian Merrick, Voya, presented an oral and written report on this item.

Ms. Chui Justen reported that the SFDCP has successfully transitioned recordkeeping services to Voya Institutional Plan Services (Voya) as of September 3, 2019. All contracts were signed and executed as of August 30, 2019.

SFDCP Participants were mailed their 8-digit Personal Identification Number (PIN) on August 30 to register with the new website available through [sfdcp.org](http://sfdcp.org). Alternatively, participants could answer security questions provided by Lexus Nexus, which is technology used across banks nationally for secure account validation.

To date, 31,183 accounts with balances have ported over, in the amount of over \$3.6 Billion. That includes

3,621 loans and 195 SDB accounts. All assets have been accounted for and final reconciliation is in progress. Voya employs a robust verification process to ensure that the total assets held in the Plan's trust are completely transferred and reconciled with the participant records received from Prudential.

Participant feedback has been positive. Voya is offering a risk-free trial for managed accounts that Participants can experience with professional management at no additional cost for 3 months. After 3 months they can easily opt out if deciding not to participate.

The Committee reviewed and discussed the report and engaged in a question and answer session.

Commissioner Stansbury requested that individual investment performance history for the last five years be mapped over to Voya from Prudential. Mr. Merrick will follow up with this at the next meeting.

Commissioner Driscoll discussed possibility of auto enrollment and the obstacles it would experience and recommended target messaging which would get a better result for the cost involved.

Commissioner Bridges called for public comment.

There were no comments from the public and public comment was closed.

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

**7. 091719-07 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 ¶124.) 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 Bridges requested that a meeting be scheduled in November or December for the last quarter.

Commissioner Driscoll asked that the 5<sup>th</sup> Floor two computers be identified by a sign that they are available to use to enroll in Deferred Compensation or register for the System.

Commissioner Driscoll asked Mr. Ben Taylor how long it would take Callan to be ready to discuss finalists so that the next meeting can be scheduled. Mr. Taylor requested 2 ½ months.

Commissioner Bridges asked that December 18, 2019 be scheduled for the REIT search and another meeting be set for the Galliard search.

Commissioner Bridges called for public comment.

There were no comments from the public and public comment was closed.

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

8. 091719-08

**Adjournment**

Having no further business, the Committee adjourned the meeting at 3:05 pm

Respectfully submitted,

  
Jay Huish, Executive Director