




**AD HOC EXECUTIVE DIRECTOR SEARCH COMMITTEE CALENDAR SHEET**  
**Ad Hoc Executive Director Search Committee Meeting of July 28, 2021**

**To:** Members of the Ad Hoc Executive Director Search Committee

**From:** Jay Huish   
Executive Director

**Date:** July 28, 2021

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**Agenda Item:**

Review and Approval of Chief Executive Officer/Chief Investment Officer Position Description

**Background:**

The Retirement Board has determined to merge the duties and responsibilities of the SFERS Chief Investment Officer into the duties and responsibilities of the SFERS Executive Director and create a new Chief Executive Officer/Chief Investment Officer (CEO/CIO) position. The Retirement Board will end its on-going recruitment for the vacant Executive Director position and start a new recruitment for the new CEO/CIO position.

The Retirement Board's Executive Search Consultant, Gary Hudepohl, Hudepohl & Associates, Inc., has prepared the attached preliminary draft of the position description/specifications for the new CEO/CIO for the Committee's consideration and approval. For the Committee's reference, Staff is attaching the Chief Investment Officer position announcement last used in 2013 to recruit the SFERS CIO.

Mr. Hudepohl will lead the discussion on the new position description.

**Recommendation:**

Approve recommended position description for the new CEO/CIO position

Attachments: Preliminary draft of CEO/CIO position description  
SFERS CIO position announcement (2013)

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## Position Specification

### Chief Executive Officer & Chief Investment Officer



**SFERS**  
San Francisco Employees' Retirement System

SFERS is searching for an accomplished investment executive to serve as both CEO & CIO, a newly created position. This is an exciting and rewarding opportunity to lead this \$30.5 billion public retirement system and serve its 75,000+ members.

#### **System Overview**

SFERS, a cost-sharing multiple-employer public employee retirement system, approved by the California Legislature in 1921, provides retirement, disability, and death benefits to more than 75,000 employees and retirees of the City and County of San Francisco. SFERS is a contributory plan where the employees and employer contribute. Sponsoring employers are required to contribute 100% of the actuarially determined contribution approved by the Retirement Board.

The System administers two benefit programs, a defined benefit plan (\$26.6 billion net assets) and a deferred compensation plan (\$3.9 billion). The four main categories of Plan membership are Miscellaneous Non-Safety Members, Sheriff's Department and Miscellaneous Safety Members, Firefighter Members, and Police Members.

Governance of the System is under the direction of a seven-member Retirement Board. Three trustees are elected by active and retired members, three are appointed by the Mayor, and one trustee, a member of the Board of Supervisors, is appointed by the President of the Board of Supervisors.

The System is considered a department of the City and part of the City and County's financial reporting. All costs to administer the System are borne by SFERS and funded from the pension trust. The administrative budget, in addition to being approved by the Retirement Board, is reviewed by the Mayor and Board of Supervisors.

For additional System information, visit [www.mysfers.org](http://www.mysfers.org).

#### **Financial and Investment Highlights**

The Plan remains in a strong financial position to meet its obligations to members and beneficiaries. The System ended FY2020 with a net position of \$26.6 billion compared to \$26.1 billion in FY2019. The current discount rate is 7.40%.

As of June 30, 2020, the System reported a funded ratio of 83.1% with an Unfunded Actuarial Accrued Liability of \$5.4 billion. The funded ratio has exceeded 80% for the past eleven years; 7 of 11 years it was over 85%. FY2019-20 administrative expenses were \$20.3 million, and the investment division expenses were \$46.6 million.

The System's investment objective is to maximize long-term rates of return on investments within prudent guidelines. Approximately, 95% of SFERS assets are managed by external managers. The remainder of the assets are managed internally in index funds and co-investments.



SFERS' investment program is nationally recognized for its consistent outperformance and is much more diversified than most defined benefit plans. It has less exposure to public equity and fixed income, and more exposure to private equity, real assets, private credit, and absolute return, than their peers. The investment team utilizes a comprehensive approach to risk management and incorporates ESG factors in decision making to further boost returns and reduce risks.

SFERS' returns consistently rank near the top when compared to their peers. Beginning in 2014, SFERS began instituting changes in asset allocation, strategy research, and risk management. The results have been encouraging. Over the past three and five-years, returns have ranked in the top 2% and top 4%, respectively.

SFERS' five-year return of 7.25%, in terms of dollars, has added \$2.4 billion in value compared to if SFERS had earned the 5.39% peer median return. Volatility has ranked among the lowest compared to peers, and risk-adjusted returns have ranked in the top 1% of peers.

Investment performance as of June 30, 2020 (Net of Fees) Compared to Peers

	1 Year Return %	3 Years Return %	5 Years Return %	10 Years Returns %	20 Years Return %
Total Fund	2.41	7.17	7.25	9.39	6.05
Peer Median	1.26	4.97	5.39	7.78	5.38
Value Added	1.15	2.20	1.86	1.61	.67

Investment performance as of June 30, 2021 (Net of Fees)

Total Fund	SFERS %	Policy Benchmark
1 Year	33.76	
3 Years	14.00	
5 Years	13.39	
10 Years	10.42	

The System's Strategic Asset Allocation as of 06/30/21 is:

	Exposure %	Target %	Range %
Public Equity	37.7	37	25 - 50
Fixed Income	7.1	13	3 - 22
Private Credit	5.1	10	3 - 15
Private Equity	27.6	23	15 -30
Real Assets	11.5	10	8 -15
Absolute Return	10.6	10	5 - 15
Cash	0.4	0	0 - 5

### **CEO & CIO Responsibilities**

The CEO & CIO, reporting to the Retirement Board and to the Board President, administratively, is the central point of responsibility and accountability for the System. He/she leads a team of 110, of which 20+ are "at will" employees. As the Appointing Officer, the CEO & CIO has appointment authority over these positions.

The direct reports include – Deputy Executive Director; Managing Directors over Private Markets, Public Markets, Absolute Return, Asset Allocation, Risk & Innovation, and Direct and Co-Investments; Information Services Director; Deferred Compensation Director; Commission Secretary; and Deputy Director, Human Resources.

The Actuarial Services Coordinator, Communications Manager, Finance Manager, Investment Operations Manager, Operations Risk and Quality Assurance Director, Retirement Operations Manager, Member Services Manager, and Business Process Improvement Manager report to the Deputy Executive Director. Internal Audit and Legal services are provided by the City.

The key responsibilities and duties are to:

- Ensure the financial stability and long-term viability of the Plan.
- Ensure operation of the System in accordance with its mission, vision and core values, and state and federal law.
- Develop the strategic plan for approval by the Board and ensure resources are sufficient and aligned to execute and accomplish the plan.
- Oversee planning, organization, and administration of the investment division and all program areas for which the System is statutorily responsible.
- Ensure assets are invested in accordance with the strategic plan and established policies, and that proper controls are in place to monitor risk and safeguard assets.
- Advise and confer with the Board on financial, economic, and political trends and developments affecting the System.
- Maintain effective relationships with the Mayor's Office, Board of Supervisors, City Attorney, City Controller, active and retiree groups, unions, media, and other stakeholders.
- Represent SFERS as a subject matter expert on retirement system programs and activities.

In addition, the CEO & CIO serves as an appointed trustee on the City's Retiree Health Care Trust Fund, \$500 million in assets.

### **Key Objectives**

Appointed to this newly created combined position, the CEO & CIO will be expected to determine the optimal organizational structure to ensure his/her time is allocated and balanced appropriately providing leadership and oversight to both the investment division and operations and program areas.

The CEO & CIO will be expected to build upon initiatives to transform the culture, implement the strategic plan for investments, modernize the operational infrastructure, improve organizational effectiveness, and strengthen relationships with stakeholders and constituents. The Board has identified the following Key Objectives to measure, in part, the CEO & CIO's performance.

- Ensure effective execution of the Long-Term Investment Strategic Plan to sustain the System's excellent investment performance.
- Evaluate, and if necessary, make changes in the organizational structure to ensure it is properly scaled, organized, and resourced to ensure efficient and cost-effective administration and management of the System today and for the next 10 years.
- Review the administrative and investment strategic plans and, if necessary, make changes to ensure the System is positioned for the expected growth in assets and liabilities over the next 10 years.



- Evaluate operational processes and systems and, if necessary, make changes to modernize the infrastructure to improve operational effectiveness, enhance decision support systems and reporting, and improve customer service.
- Review investment processes and procedures and, if necessary, make changes to improve organizational decision-making quality and reporting.
- Work with the City on any additional positions required for the System's operation.
- Review the performance evaluation system and, if necessary, direct a redesign of the system to ensure appropriate measurements and accountabilities are in place.
- Develop succession plans for key executive positions and implement programs to identify and develop future leaders.
- Review the outreach program and, if necessary, restructure it to focus on educating and promoting the System and its significant accomplishments and strengthening relationships with the city, active and retiree groups, unions, and other stakeholders.

### **Qualifications and Experience**

The Board is seeking a strategic and forward-thinking executive and leader who aligns to SFERS' mission – *"Dedicated to securing, protecting, and prudently investing the pension trust assets, administering mandated benefits programs, and providing promised benefits to the active and retired members of the City and County of San Francisco."*

An investment executive with broad asset class investment knowledge and institutional investment experience including significant experience in portfolio construction and asset allocation is required. Additional requirements and preferences include:

#### **Requirements**

- Bachelor's degree in finance, economics, or related field of business from an accredited institution.
- Minimum of ten years in a senior role directly managing or overseeing an investment department or with institutional investment experience working for (or consulting to) an institutional investor with a complex investment program.
- Minimum of eight years of managerial experience of which all must include supervisory.
- In-depth understanding of global economics and capital markets, investment strategies and vehicles, the principles and practices of institutional investing, investment operations, and investment policy development.
- A positive track record of investment performance as compared to benchmarks.
- Positive track record of recruiting, hiring, and retaining top talent.
- Advocate of defined benefit plans.

#### **Preferences**

- Advanced degree.
- CFA or CAIA.
- Experience investing in private markets and private partnership structures.
- Transformational leader with accomplishments in:
  - Restructuring of the business to meet the changing needs to position it for the future.
  - Processes or system changes to improve operational efficiencies and customer service.
  - Organizational cultural changes.

Interacting with key political leaders and stakeholders, preferably at the local level, and the media are preferred. An understanding of the actuarial science and applications as related to pension plans is also preferred.

### **Leadership Competencies and Characteristics**

The CEO & CIO must be a visionary, who is a confident and inspiring communicator and leader. An executive who delegates authority and empowers people leading with a participative and collaborative style while establishing clear goals supported by accountabilities is desired. To achieve success, the ideal candidate must have the managerial courage to make tough decisions, have candid conversations, and the emotional intelligence to affect positive change.

The CEO & CIO must establish positive relationships with trustees and keep them apprised of major developments affecting the System. As the System's top executive, the CEO & CIO must be a leader with superior social and interpersonal skills and effective at building consensus and negotiating compromise. In addition to being visible, approachable and a good listener, other important skills and attributes include having:

- Effective political and diplomatic skills to manage key political and stakeholder relationships.
- Confidence to put forward ideas and recommendations while being open to adjusting them based on input from others.
- Commitment to embrace innovation, best practices, and change.
- Poise and presence to expertly represent SFERS.

This is a highly visible position, and the CEO & CIO must understand and respect the requirements of operating in a public environment.

### **Compensation**

The CEO & CIO is an "at will" employee. Compensation will be market competitive and includes base salary plus bonus. SFERS offers a comprehensive benefits package and relocation assistance. All SFERS employees are participants in the SFERS plan. SFERS employees also participate in Social Security and are eligible for benefits.

Employees of the System participate in the City's multiple employer defined benefit Other Post-employment Benefits Plan (OPEB). The plan is maintained by the city and administered through the City's Health Services System. It provides post-employment medical, dental, and vision insurance benefits to eligible employees, retired employees, surviving spouses and domestic partners.

**For additional information or to apply, please contact Hudepohl & Associates, [info@hudepohl.com](mailto:info@hudepohl.com) or (614) 854-7300.**





**Recruitment for: Deputy Director for Investments  
(Chief Investment Officer)**



**SFERS Mission:**

*The 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 to the active and retired members of the City and County of San Francisco.*

# San Francisco Employees' Retirement System (SFERS)

## The System

The San Francisco City and County Employees' Retirement System is a public employee retirement system established by the voters of the City and County of San Francisco in 1922. Deeply rooted in the history and culture of the City and County of San Francisco, SFERS is profoundly committed to serving the retirement needs of its members. Administered by an independent Retirement Board, the SFERS Pension Plan provides retirement, disability, death and survivor benefits for its members and beneficiaries.

SFERS members include employees of the City and County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, and the San Francisco Trial Courts. As of June 30, 2011, SFERS had over 52,000 total members: 16,431 retirees and survivors and the remainder active members.

SFERS is governed by a seven-member Retirement Board composed of three members elected by the active and retired members of SFERS; three members appointed by the Mayor in accordance with §12.100 of the San Francisco City Charter; and one member, the President of the Board of Supervisors or his or her designee, appointed from among the other members of the Board of Supervisors.

## The Fund

SFERS takes great pride in its long record of paying the benefits promised to its members. SFERS funds its benefit obligations through employer and employee contributions, and investment total return. As of June 30, 2011 the Fund was valued at \$15.5 billion (value pending final audit), and the current actuarial funding level is 91%. For the fiscal year ended June 30, 2011, the portfolio returned 22% net of fees (value pending final audit), significantly greater than the actuarial assumption of 7.75% annual rate of investment earnings. Collectively, these results place SFERS as one of the most solidly funded public pension plans in the nation.

### Target Asset Allocation

US Stocks	26%
International Stocks	23%
Global Fixed Income	25%
Real Estate	12%
Alternative Assets	14%
Cash	0%

Employee contributions and investment income increased the fund by \$2.43 billion from June 30, 2010 to June 30, 2011. The SFERS budget for Fiscal Year 2010-11 was \$85 million. There are 100 full-time staff including 12 investment professionals and support staff.



## San Francisco Employees' Retirement System (SFERS)

### The Position

The Deputy Director for Investments (DDI) reports to the Executive Director. The DDI formulates investment philosophy and strategies for the Retirement System, makes recommendations to the Executive Director and the Retirement Board and implements Board adopted policies and strategies. The DDI directs the activities of the Investment Division, oversees the twelve person staff, manages direct investment activities, and directs staff oversight of investment consultants and externally managed separate accounts.

Duties include, but are not limited to:

- Researching and formulating long-term investment policies and strategies designed to provide maximum risk-adjusted return
- Implementing approved investment policies and strategies
- Maintaining day-to-day activities of the Investment Division including investment transactions, status reports and portfolio performance
- Administer, plan, coordinate and evaluate the activities of Investment Division staff
- Monitoring the investment portfolio to ensure compliance with strategic asset allocation and recommending rebalancing at least quarterly
- Maintaining close liaison with outside managers, advisors and consultants to ensure compliance with contracts, investment policy and guidelines
- Monitoring capital markets and economic forecasts and providing information to the Executive Director and Retirement Board on domestic and global trends
- Directing financial transactions and preparing records and reports
- Participating in and maintaining contacts with other institutional investors and investment managers, staying abreast of and participating in the development of best practices in the industry
- Representing the System to representatives of the financial services community
- Directing staff and consultant searches for investment services providers, making recommendations regarding retention or termination of investment service providers.

### The Candidate

The successful candidate will have strong management skills and investment knowledge, excellent presentation skills and the ability to maintain effective working relationships with the Retirement Board and Executive Director. A qualified candidate requires education, training and/or experience which demonstrate the knowledge and abilities listed below.

#### Essential Qualifications:

**Knowledge of:** design of long-term investment programs to fund liabilities; investment theory; asset/liability modeling and asset allocation; active/passive management; costs and the hierarchical nature of investment risks; best practices in investing; investment related strategic planning; portfolio management techniques; diversified securities and available markets; sources of data for analyzing securities and market trends; methods employed in purchase, sale or transfer of securities; investment management procedures; statistical techniques applied to financial data in evaluating securities; laws governing the sale and purchase of securities; corporate finance.

## San Francisco Employees' Retirement System (SFERS)

**Ability to:** analyze, control and direct the activities of the Investment Division staff; recruit and retain qualified staff; analyze and interpret financial statements; evaluate securities; negotiate purchase and sale of securities; prepare reports; develop and maintain effective relationships with those contacted in the course of work; develop, revise and adopt an effective course of action; write and speak effectively; evaluate a sophisticated and complex investment program of a public sector pension fund.

### Experience and Training Guidelines

**Experience:** Eight years of extensive investment/financial executive and administrative experience including at least three years in:

- A retirement system performing duties which involved investment policy recommendations or management of investment funds; or
- An investment organization performing duties which included responsibility for directing or participating in directing investments in bonds, common stocks, mortgages and other securities; and performing duties which involved investment policy recommendations and/or management of investment funds; or
- An executive position managing corporate or public pension funds, endowments, or finances; or
- An executive position in an investment consulting firm.

**Training:** Completion of a four-year college or university degree with a baccalaureate degree with major course work in economics, banking or finance. Post graduate work and professional licenses are highly desirable.

### Compensation

The salary range for this position is \$244,000 - \$296,500 annually. The qualifications and experience of the selected candidate will determine the specific starting salary. Additional benefits include defined benefit pension plan, 457(b) plan, health insurance with a choice of medical and dental plans, sick leave and vacation based on years of service, various other insurance options and holiday and time off benefits.

### Application

Resumes and cover letters of applicants should be forwarded to:

Dianne Owens-Lewis  
Human Resources Director  
San Francisco Employees' Retirement System  
30 Van Ness Avenue, Suite 3000  
San Francisco, CA 94102  
Phone: (415) 487-7026  
Fax: (415) 487-7023  
E-mail: [Dianne.Owens-Lewis@sfgov.org](mailto:Dianne.Owens-Lewis@sfgov.org)

**Minorities, Women and Persons with Disabilities are Encouraged to Apply  
An Equal Opportunity Employer**