



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

### RETIREMENT BOARD

### MEETING MINUTES

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**Wednesday, January 10, 2018**

1145 Market Street, 6<sup>th</sup> 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***

Brian Stansbury

##### ***Vice President***

Wendy Paskin-Jordan

##### ***Commissioners***

Leona Bridges

Al Casciato

Malia Cohen

Joseph Driscoll

Victor Makras

##### ***Executive Director***

Jay Huish

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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](mailto:sotf@sfgov.org)

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President Stansbury called the meeting to order at 1:22 PM.

**OPENING CALENDAR**

**1. Pledge of Allegiance**

**2. Roll Call**

Commissioner Malia Cohen	Absent
Commissioner Leona Bridges	1:22 PM
Commissioner Al Casciato	Absent
Commissioner Joseph D. Driscoll	1:22 PM
Commissioner Victor Makras	1:22 PM
Commissioner Wendy Paskin-Jordan	1:22 PM
Commissioner Brian Stansbury	1:22 PM

**3. 011018-03                      Action Item                      CLOSED SESSION**

President Stansbury called for public comment.

There were no comments and public comment was closed.

The Board entered closed session at 1:25 PM.

Recommendations and Possible Action on Sales and Purchases of Particular, Specific Pension Fund Investments under California Government Code Section 54956.81 (nine investment recommendations).

The following individuals were present for the closed session: Commissioners Bridges, Driscoll, Makras, Paskin-Jordan, Stansbury; Jay Huish, Executive Director; Caryn Bortnick, Deputy Executive Director; William J. Coaker, Chief Investment Officer; Art Wang, Managing Director for Private Markets; David Francl, Managing Director for Absolute Return; Tanya Kemp, Director; Eunice McHugh, Han Pham, Vicki Owens, Senior Portfolio Managers; Cynthia Wong, Kien Trinh, Mark Coleman, Ashley Dennig, Dennis Esselsagoe, Security Analysts; Robert Bryan, Molly Nordale, William Lin and Tran Ly, Deputy City Attorneys; Norm Nickens, Board Secretary; Anita Ng, Craig Beach, Anelise Hohl, and Alex Keiser, Cambridge Associates; and, Allan Martin, NEPC.

The Board returned to open session at 3:30 PM.

Break 3:30 - 3:57 PM.

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

Ayes: Commissioners Bridges, Driscoll, Makras, Paskin-Jordan, Stansbury  
Absent: Commissioners Casciato, Cohen

**4. 011018-04 General Public Comment - Not earlier than 3:30 PM**

President Stansbury called for public comment.

John Furlan discussed risk mitigation, the creation of a Chief Risk Officer position, and noted the portfolio's recent performance.

David Page, retiree, spoke in support of divestment from fossil fuels.

John Stinson spoke in opposition to investment in hedge funds.

There were no additional public comments and President Stansbury closed public comment.

<b>5.</b>	<b>011018-05</b>	<b>Action Item</b>	<b>Approval of the Minutes of the December 13, 2017 Retirement Board Meeting</b>
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Documents provided to the Retirement Board prior to the current meeting: Draft Minutes of the December 13, 2017 Retirement Board Meeting

Commissioner Makras noted the Minutes should reflect the Boards adjournment in memory for Mayor Edwin Lee.

President Stansbury called for public comment.

There were no additional public comments and President Stansbury closed public comment.

**Action:** Moved by Commissioner Makras, Seconded by Commissioner Stansbury to Approve Minutes of the December 13, 2017 Retirement Board Meeting as Amended.

Ayes: Commissioners Bridges, Driscoll, Makras, Paskin-Jordan, Stansbury  
Absent: Commissioners Casciato, Cohen

## 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. 011018-06a	Action Item	Consent Calendar
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<b>011018-06b</b>	<b>Action Item</b>	<b>Voluntary Retirement Board List No. 7-17</b>
<b>011018-06c</b>	<b>Action Item</b>	<b>Decisions of Hearing Officers</b>
<b>Paris M. Dixon</b> <b>Effective Date: 2/1/14</b>	<b>2708 Custodian</b> <b>SFUSD</b>	<b>Ordinary Disability Retirement Denied</b>
<b>Susan L. Mann</b> <b>Effective Date: 8/5/17</b>	<b>Q4 Police Officer III</b> <b>Police</b>	<b>Industrial Disability Retirement Granted</b>

**011018-06d                      Action Item                      Travel Requests**

Request travel approval for Leona Bridges to attend the NASP 2<sup>nd</sup> Annual Delegation Trip to Africa, February 28 – March 10, 2018, South Africa.

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

President Stansbury called for public comment.

There were no additional public comments and President Stansbury closed public comment.

**Action:** Moved by Commissioner Makras, Seconded by Commissioner Paskin-Jordan to Approve Consent Calendar.

Ayes: Commissioners Bridges, Driscoll, Makras, Paskin-Jordan, Stansbury  
Absent: Commissioners Casciato, Cohen

**INVESTMENT CALENDAR**

**7. 12132017-07                      Action Item                      Approval to commit up to \$200 million to Van Berkomp and Associates**

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

William J. Coaker, Jr., Chief Investment Officer; Kurt L. Braitberg, Managing Director, Public Markets; Han Pham, Senior Portfolio Manager, Public Equity; Alan Martin and Dan Hennessey, NEPC, provided a written and oral report on this item.

Mr. Coaker reported that Investment Staff recommended engaging Van Berkomp and Associates, Inc. ("VBA") for active investment management services. Staff is recommending an initial investment of up to \$200 million in VBA's U.S. Small Capitalization ("small cap") strategy, which invests in long-only public equity securities. VBA is currently one of the underlying funds in the account that Bivium Capital manages for San Francisco Employees' Retirement System ("SFERS") with preliminary

account market value of \$27.9 million as of 10/31/2017. Mr. Coaker noted that Bivium runs a fund of emerging managers for SFERS. "Emerging managers" are defined as AUM of less than \$ 2.0 billion at the time of hire. Bivium added VBA to the SFERS' account in October 2011 when VBA's assets were \$1.27 billion. Assets for VBA have grown to \$4.66 billion as of September 30, 2017. Bivium recommended that SFERS "graduate" VBA to a direct relationship because Bivium views it as high conviction manager whose assets have grown over the last several years and is no longer considered "emerging". Staff has conducted independent due diligence of VBA and is supportive of Bivium's recommendation to "graduate" VBA.

Commissioner Bridges noted that item #7 had been continued and asked if it would impact consideration of this item.

Mr. Huish, Executive Director and Mr. Coaker noted that there would not be an impact.

President Stansbury called for public comment.

Mr. Kai Hong, Bivium, noted that Bivium would be available to assist in a transition.

There were no additional public comments and President Stansbury closed public comment.

**Action:** Moved by Commissioner Makras, Seconded by Commissioner Stansbury to Approve commitment of up to \$200 million to Van Berkomp and Associates.

Ayes: Commissioners Driscoll, Makras, Paskin-Jordan, Stansbury

Noes: Commissioner Bridges

Absent: Commissioners Casciato, Cohen

**8. 12132017-08      Action Item      Recommendation to terminate manager: Bivium Capital**

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

President Stansbury continued this item to a future meeting.

**9. 011018-09      Action Item      Chief Investment Officer Report**

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

William J. Coaker, Jr., Chief Investment Officer; provided a written and oral report on this item.

Mr. Coaker reported that as of December 31, 2017 the portfolio was valued at \$24.03 billion.

Closed Session Disclosures:

**Crow Holdings Self-Storage Fund, LP.**

At its meeting on November 8, 2017, the Retirement Board approved in closed session an investment of up to \$75 million in Crow Holdings Self-Storage Fund, L.P.

The investment was approved by the following vote:

Ayes: Commissioners Bridges, Casciato, Cohen, Driscoll, Makras, Paskin-Jordan, Stansbury

SFERS' commitment of \$75 million closed on December 22, 2017. SFERS' investment in Crow Holdings Self-Storage Fund, L.P. is classified as a real estate investment within SFERS' Real Assets portfolio and is SFERS' first investment with Crow Holdings.

More information about the firm is available at [www.crowholdings.com](http://www.crowholdings.com)

### **Nordic Capital Fund IX**

At its meeting on November 8, 2017, the Retirement Board approved in closed session an investment of up to €50 million in Nordic Capital Fund IX.

The investment was approved by the following vote:

Ayes: Commissioners Stansbury, Bridges, Casciato, Cohen, Driscoll, Makras and Paskin-Jordan

SFERS' investment of €50 million in Nordic Capital Fund IX closed on December 21, 2017. This investment is classified as a large buyout investment within SFERS' private equity portfolio and is SFERS' second investment with Nordic Capital.

More information about Nordic Capital is available on [www.nordiccapital.com](http://www.nordiccapital.com)

### **Real Estate Capital Asia Partners V, LP.**

At its meeting on November 8, 2017, the Retirement Board approved in closed session an investment of up to \$100 million in Real Estate Capital Asia Partners V, L.P.

The investment was approved by the following vote:

Ayes: Commissioners Bridges, Casciato, Cohen, Driscoll, Makras, Paskin-Jordan, Stansbury

SFERS' commitment of \$75 million closed on December 13, 2017. SFERS' investment in Real Estate Capital Asia Partners V, L.P. is classified as a real estate investment within SFERS' Real Assets portfolio and is SFERS' second investment with SC Capital Partners.

More information about the firm is available at [www.sccpasia.com](http://www.sccpasia.com)

### **Rock Springs Capital Fund L.P.**

At its meeting on June 14, 2017, the Retirement Board approved in closed session an investment of up to \$200 million Rock Springs Capital Fund LP.

The investment was approved by the following vote:

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

Absent: Commissioner Cohen

The first stage (\$100 million) of SFERS commitment of up to \$200 million closed on December 1, 2017. Rock Springs is a diversified healthcare manager. This investment is classified as an opportunistic investment within SFERS' public equity portfolio.

More information about the firm is available at [www.rockspringscapital.com](http://www.rockspringscapital.com)

#### **San Francisco Absolute Return Investors II, LP.**

At its meeting on November 8, 2017 the Retirement Board approved in closed session the investment guidelines for San Francisco Absolute Return Investors II, LP. The amount approved for investment is up to 17% of SFERS Total Plan (at the time, \$23.5 billion), less the \$1 billion of capital previously committed to San Francisco Absolute Return Investors, LP.

The item was approved by the following vote:

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

Nays: Commissioner Makras

SFERS's investment in San Francisco Absolute Return Investors II, LP closed on December 22, 2017. San Francisco Absolute Return Investors II, LP is classified as an absolute return investment and is a limited partnership between SFERS and Blackstone Alternative Asset Management.

More information about the firm is available at: [www.blackstone.com/the-firm/asset-management/hedge-fund-solutions](http://www.blackstone.com/the-firm/asset-management/hedge-fund-solutions)

#### **Thoma Bravo Discover Fund II, LP.**

At its meeting on December 13, 2017, the Retirement Board approved in closed session an investment of up to \$100 million in Thoma Bravo Discover Fund II, LP. The investment was approved by the following vote:

Ayes: Commissioners Stansbury, Bridges, Casciato, Cohen, Driscoll and Makras

Absent: Commissioner Paskin-Jordan

SFERS' investment of \$100 million in Thoma Bravo Discover Fund II, LP. closed on December 20, 2017. This investment is classified as a medium buyout investment within SFERS' private equity portfolio and is SFERS' seventh investment with Thoma Bravo.

More information about Thoma Bravo is available on [www.thomabravo.com](http://www.thomabravo.com)

#### **Thoma Bravo Credit Fund I, LP.**

At its meeting on December 13, 2017, the Retirement Board approved in closed session an



investment of up to \$50 million in Thoma Bravo Credit Fund I, L.P. ("Fund I"). The investment was approved by the following vote:

Ayes: Commissioners Bridges, Casciato, Cohen, Driscoll, Makras, and Stansbury

Absent: Commissioner Paskin-Jordan

SFERS' investment of \$50 million in Fund I closed on January 9, 2018.

This investment is classified as a senior debt investment within SFERS' private credit portfolio, and is SFERS' eighth investment with Thoma Bravo.

More information about Thoma Bravo can be found at [www.thomabravo.com](http://www.thomabravo.com)

Mr. Coaker announced that Mr. Kurt Braitberg joined SFERS on January 2, 2018 as Managing Director of Public Markets. Mr. Braitberg has more than 20 years of senior investment and management experience, including at Oppenheimer Management Company, the Union Bank of Switzerland (UBS), Thomas Weisel Partners, and TeamCo Advisers. He earned a Bachelor of Science degree in Business Administration with a focus in Finance from the University of Northern Colorado, where he earned All American honors in Track and Field. He is a sought after public speaker, including events hosted by Goldman Sachs, JPMorgan, Albourne, and the Pension Bridge Conference. Mr. Braitberg is a Chartered Financial Analyst (CFA) and a Chartered Alternative Investment Analyst (CAIA).

Mr. Alo Martins will be joining SFERS on January 22, 2018 as a Security Analyst, supporting Ms. Han Pham on our Public Equity strategies. Mr. Martins has 7 years investment experience, including serving the past 3 years at Cambridge Associates in San Francisco. He holds a Bachelor of Science degree in Business Administration with a focus on Finance and a Bachelor of Science degree in Economics from Northeastern University, where he graduated Summa Cum Laude. Mr. Martins is a Chartered Financial Analyst (CFA).

SFERS has open recruitments for a Senior Portfolio Manager for Private Equity and a Security Analyst in Private Debt.

President Stansbury called for public comment.

John Stinson spoke in opposition to investment in hedge funds.

John Furlan noted the report did not discuss risk.

There were no additional public comments and President Stansbury closed public comment.

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

#### **DEFERRED COMPENSATION PLAN CALENDAR**

**10. 011018-10                      Discussion Item                      SFDGP Manager Report**

Documents provided to the Retirement Board prior to the current meeting: SFDGP Manager Report

Ms. Diane Chui-Justin, Deferred Compensation Manager, provided a written and oral report on this item.

- Fund change information has been communicated to participants;
- Contribution limits have increased to \$18,500; and,
- Stable Value Crediting Rate has increased to 1.9% for the next current.

President Stansbury called for public comment.

There were no public comments and President Stansbury closed public comment.

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

**ADMINISTRATION CALENDAR**

**11. 011018-11                      Action Item                      Review and Approval of revised Resolution 44 (Executory Authority)**

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

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

Mr. Huish reported that Resolution No. 44 contains specific delegation of authority and the officers who are authorized to make cash transfers and payments on behalf of the San Francisco City Employees' Retirement System. Staff recommended amendment to the current Resolution 44 to reflect additions to Investment Division Staff.

President Stansbury called for public comment.

There were no public comments and President Stansbury closed public comment.

**Action:** Moved by Commissioner Makras, Seconded by Commissioner Bridges to Approve revised resolution 44.

Ayes: Commissioners Bridges, Driscoll, Makras, Paskin-Jordan, Stansbury

Absent: Commissioners Casciato, Cohen

**12. 011018-12                      Discussion Item                      Board Fiduciary Training**

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

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

Mr. Bryan reported that in accordance with the recommendations that the Retirement Board approved at its July 11, 2017 special meeting following the 2016 Funston Advisory Services Board performance evaluation, Board members will receive training which addresses their responsibilities for both the defined benefit and deferred compensation plans. This month's training is a continuation of the training provided by Mr. Bryan at the November 8, 2017 Board meeting and included Part II of the presentation materials.

President Stansbury called for public comment.

John Stinson spoke in opposition in hedge funds.

Claire Zvanski, RECCSF, spoke in appreciation of the Board's fiduciary training being conducted as part of a regular Board meeting.

John Furlan noted that the Board's fiduciary duty is to its members and should be taken in account in regard to social policy investment decisions.

There were no additional public comments and President Stansbury closed public comment.

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

<b>13. 011018-13</b>	<b>Action Item</b>	<b>Approval of Pension Adjustment to 65%: Donald G. Kosewic (SFPD)</b>
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Documents provided to the Retirement Board prior to the current meeting: Staff and City Attorney Memorandum

Caryn Bortnick, Deputy Executive Director, presented an oral and written report on this item.

President Stansbury called for public comment.

There were no public comments and President Stansbury closed public comment.

**Action:** Moved by Commissioner Stansbury, Seconded by Commissioner Bridges to Approve Pension Adjustment to 65% for Donald G. Kosewic.

Ayes: Commissioners Bridges, Driscoll, Makras, Paskin-Jordan, Stansbury  
Absent: Commissioners Casciato, Cohen

<b>14. 011018-14</b>	<b>Discussion Item</b>	<b>Executive Director's Report</b>
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Documents provided to the Retirement Board prior to the current meeting: Executive Director's Report.

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

Administrative Update:

- Board of Supervisors Referral: File No. 171307 – Charter Amendment – Retirement Board
- NCPERS Notice on Conference Agreement in Tax Cuts and Jobs Act related to Unrelated Business Income Tax (UBIT)
- Special Board meeting on Friday, January 12 on an investment recommendation
- I pads are now available for the Board.

Attachments:

- *Public Retirement Conferences and Training Programs for SFERS Trustees* listing prepared by Nossaman LLP and *Cortex Report*
- Blackout Period List
- Forward Calendar

President Stansbury called for public comment.

Claire Zvanski, RECCSF, requested additional information on the Charter Amendment.

There were no additional public comments and President Stansbury closed public comment.

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

**15. 011018-15      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 Bridges requested an evaluation and discussion of the process for hiring and firing managers in the public equity portfolio.

President Stansbury called for public comment.

There were no public comments and President Stansbury closed public comment.

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

**16. 011018-16      Discussion Item      Retirement Board Member Reports and Comments**

President Stansbury called for public comment.

There were no public comments and President Stansbury closed public comment.

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

**17. 011018-17**

**Adjournment**

Having no further business, the Board adjourned the meeting at 5:12 PM.

Respectfully submitted,  
Jay Huish, Executive Director