



# Retiree Health Care Trust Fund Board

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## BOARD MEETING MINUTES

Monday, November 18, 2019

**1:30 p.m.**

City and County of San Francisco  
SFERS Office – 1145 Market Street, 6<sup>th</sup> Floor Conference Room  
San Francisco, CA 94103

### **RETIREE HEALTH CARE TRUST FUND BOARD MEMBERS**

*President*

**David Salem**

*Vice President*

**Katharine Petrucione**

*Members*

**Pauline Marx**

**Clare Murphy**

**Ed Walsh**

*Trust Administrator*

**Jay Huish**

SFERS Executive Director

## **Disability Access**

The meeting will be held at the SFERS Office, 1145 Market Street, 6<sup>th</sup> floor, San Francisco, CA 94103. The Retiree Health Care Trust Fund Board Meeting Room is wheelchair accessible. Accessible seating is available for persons with disabilities or wheelchairs. The following services are available upon request:

- American Sign Language interpreters will be available upon request.
- A sound enhancement system will be available upon request at the meeting.
- Minutes of the meeting are available in alternative formats.

If you require the use of any of these services, contact Sofia Millham, Board Secretary, at (415) 487-7055 or by email at [sofia.millham@sfgov.org](mailto:sofia.millham@sfgov.org) at least two (2) business days before the meeting.

The closest accessible BART Station is Civic Center, three blocks from City Hall. Use the Market and 8<sup>th</sup> Street exit. Accessible MUNI lines serving this location are: 5, 9, 9L, 19, 47 and the F Line to Market and 8th and the Metro stations at Civic Center. For more information about MUNI accessible services, call (415) 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza adjacent to Davies Hall and the War Memorial Complex.

In order to assist the City's effort to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals.

## **Summary of Retiree Health Care Trust Fund Board Policy Regarding Public Comment**

Speakers are urged to fill out a speaker card in advance, but may remain anonymous if so desired. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item. A member of the public may comment on any matter within the Board's jurisdiction at the designated time at the end of the meeting. Call Sofia Millham, Board Secretary, for further assistance at (415) 487-7055 or email at [sofia.millham@sfgov.org](mailto:sofia.millham@sfgov.org).

## **Summary of Retiree Health Care Trust Fund Board Policies Regarding Cell Phones and Pagers**

The ringing and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting.

The chair of the meeting may order the removal from the meeting room of any person(s) in violation of this rule.

The chair of the meeting may allow an expelled person to return to the meeting following an agreement to comply with this rule.

## **Knowing Your Rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)**

Government's duty is to serve the public; reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact:

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](mailto:sotf@sfgov.org)

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from the Clerk of the Sunshine Ordinance Task Force or by printing Chapter 67 of the San Francisco Administrative Code located on the Internet at <http://www.sfgov.org/sunshine/>. To review or obtain meeting documents covered under the Sunshine Ordinance contact Sofia Millham, Board Secretary, SFERS, 1145 Market Street, 5<sup>th</sup> Floor, San Francisco, CA 94103; telephone (415) 487-7055; or send an email with your request to [sofia.millham@sfgov.org](mailto:sofia.millham@sfgov.org).

## **Location of materials accompanying agenda items and materials distributed less than 72 hours before meeting.**

Meeting materials are available for inspection and copying during regular business hours at SFERS, 1145 Market Street, 5th Floor, San Francisco, CA 94103; please ask for Sofia Millham, Board Secretary. Any materials distributed to the members of the Board within 72 hours of the meeting or after the agenda packet has been delivered to the members are available for inspection at the same location during regular office hours.

## **Lobbyist Registration and Reporting Requirements**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Governmental Conduct Code § 2.100 -2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 25 Van Ness Avenue, Suite 220, San Francisco, CA 94102; telephone (415) 252-3100; fax (415) 252-3112; or web site [www.sfgov.org/ethics](http://www.sfgov.org/ethics).

## CALENDAR

- **Roll Call**      **Call to Order: 1:30 PM**  
  
Katharine Petrucione - Present  
Pauline Marx - Present  
Clare Murphy - Present  
Ed Walsh - Present  
David Salem - Absent
  
- 11182019-02      **General Public Comment**  
  
Commissioner Petrucione noted that there were no members of the public present.
  
- 11182019-03      Action Item      **Approve the Minutes of the August 19, 2019 Special Board Meeting**  
  
Documents provided to Board prior to meeting: August 19, 2019 Draft Minutes  
**Action:** Moved by Commissioner Murphy and seconded by Commissioner Marx to approve the minutes.  
  
Ayes: Marx, Petrucione, Murphy, Walsh. Nays: None. Absent: Salem.
  
- 11182019-04      Action Item      **Approve the Minutes of the October 4, 2019 Special Board Meeting**  
  
Documents provided to Board prior to meeting: October 4, 2019 Draft Minutes  
**Action:** Moved by Commissioner Murphy and seconded by Commissioner Marx to approve the minutes.  
  
Ayes: Marx, Petrucione, Murphy, Walsh. Nays: None. Absent: Salem.
  
- 11182019-05      Discussion Item      **Review Q3 2019 Performance Report**  
  
Documents provided to Board prior to meeting: Staff Memorandum; Meketa Q3 Performance Report  
Kurt Braitberg, SFERS' Managing Director of Public Markets, introduced this item.  
Mika Malone, of Meketa Investment Group, presented a written and oral report on this item.  
Commissioner Marx requested that future performance reports include cash flows.  
**Action:** This was a discussion item only.
  
- 11182019-06      Discussion Item      **Review Asset Allocation Implementation Plan Update**  
  
Documents provided to Board prior to meeting: Staff Memorandum; Meketa Investment Group Implementation Plan Update  
Kurt Braitberg, SFERS' Managing Director of Public Markets, introduced this item.  
Mika Malone, of Meketa Investment Group, presented a written and oral report on this item.  
**Action:** This was a discussion item only.

- 11182019-07 Action Item **Approve Investment Managers to Implement Short-Term TIPS and Long-Term Government Bond Allocations**

Documents provided to Board prior to meeting: Staff Memorandum; Passive Fixed Income Review by Meketa Investment Group

Kurt Braitberg, SFERS' Managing Director of Public Markets, introduced this item.

Larry Witt, of Meketa Investment Group, presented a written and oral report on this item.

At the October 4, 2019 Special Board Meeting, the Board approved 4% target allocations to both Short-Term and TIPS Long-Term Government Bonds (8% in total) and directed the RHCTF's investment consultant, Meketa Investment Group, to conduct a search for investment managers to implement the allocations.

Meketa and Staff recommended that the RHCTF Board approve investing 4% of the Fund in Vanguard's Short-Term Inflation-Protected Securities Index Fund with an initial allocation of approximately \$16 Million.

Further, Meketa and Staff recommended that the RHCTF Board approve investing 4% of the Fund in BlackRock's Long-Term Government Bond Index Fund with an initial allocation of approximately \$16 Million.

Commissioner Petrucione asked if there was any benefit in terms of efficiency or fees to using one provider for both products.

Mr. Witt stated that going with BlackRock for the Long-Term Government Bond Index Fund should be simple as the Fund already has a contract with BlackRock. He went on to say that Vanguard should be simple as it is a mutual fund.

Mika Malone, of Meketa Investment Group, stated that with these investments there was no aggregation benefit.

Commissioner Murphy asked if the existing BlackRock contract is a securities lending contract.

Caryn Bortnick, SFERS' Deputy Executive Director, stated that it has that option.

Commissioner Murphy asked what the Board will see differently going forward, or will they only see differences when things go badly.

Ms. Malone reported that the collateral pools that are utilized and the structures that are in place are significantly tighter and better quality than they were 10-15 years ago.

Commissioner Petrucione asked if they were regulated.

Ms. Malone stated that it is very transparent.

Commissioner Petrucione requested a review of the current BlackRock contracts.

**Break: 2:11 PM – 2:16 PM**

Ms. Bortnick confirmed that securities lending is covered in the contract.

**Action:** Moved by Commissioner Murphy and seconded by Commissioner Marx to approve a \$16 Million investment in Vanguard's Short-Term Inflation-Protected Securities Index Fund.

Ayes: Marx, Petrucione, Walsh. Nays: None. Absent: Salem.

Moved by Commissioner Marx and seconded by Commissioner Murphy to approve a \$16 Million investment in BlackRock's Long-Term Government Bond Index Fund.

Ayes: Marx, Petrucione, Murphy, Walsh. Nays: None. Absent: Salem.

- 11182019-08 Discussion Item **Update on Expiring Contracts**

Documents provided to Board prior to meeting: Staff Memorandum

Caryn Bortnick, SFERS' Deputy Executive Director, presented a written and oral report on this item. She recommended to the Board that they consider extending the current contracts.

Kurt Braitberg, SFERS' Managing Director of Public Markets, clarified for the Board that if any time going forward, they were not happy with the investment services, these contracts could be cancelled.

Commissioner Murphy requested a report of what contracts have concluded their terms and reminding the Board that there is an evaluation of terms and ensuring the Fund is getting the best of terms for these products on an annual basis.

Ms. Bortnick stated in regard to the expiring custody contract, due to the current growth and changes to the Fund, it may make sense to extend this contract until our scope of needed services changes in a few years.

Ms. Bortnick stated that at the next Board meeting, staff would bring back this as an action item for the Board to approve extending these contracts.

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

- 11182019-09 Action Item **Approve Membership in the State Association of County Retirement Systems (SACRS)**

Documents provided to Board prior to meeting: Staff Memorandum

Caryn Bortnick, SFERS' Deputy Executive Director, presented a written and oral report on this item. She asked the Board if they would prefer to approve these membership as they arise or if, going forward, they would prefer this be delegated to staff.

**Action:** Moved by Commissioner Murphy and seconded by Commissioner Walsh to approve membership in the State Association of County Retirement Systems or take other action on this item.

Ayes: Marx, Petrucione, Murphy, Walsh. Nays: None. Absent: Salem.

Commissioner Murphy requested that going forward each membership be presented to the Board.

- 11182019-10 Discussion Item **Trust Administrator Report**

Documents provided to Board prior to meeting: Staff Memorandum

Caryn Bortnick, SFERS' Deputy Executive Director, presented a written and oral report on this item. She reported that Commissioner Salem had requested a special education session on ESG.

Kurt Braitberg, SFERS' Managing Director of Public Markets, suggested that the session be done at the next regularly scheduled meeting in February.

Ms. Bortnick then stated that the next regularly scheduled meeting falls on a holiday and suggested that February 24, 2020 be the date for the next Board meeting.

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

□ 11182019-11 Discussion Item **Board Educational Opportunities**

Documents provided to Board prior to meeting: List of Educational and Training Opportunities from Cortex Applied Research

Caryn Bortnick, SFERS' Deputy Executive Director, presented a written and oral report on this item. She stated that moving forward, in addition to the CORTEX Report, SFERS staff would also include upcoming educational programs from the organizations listed in the Board's Education and Training Policy.

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

□ 11182019-12 Discussion Item **Good of the Order**

RHCTF Board members may request that any matter be calendared at a future meeting. All such requests shall be calendared in a reasonable time. (RHCTF Board Operations Policy ¶17.) 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 Marx requested that the website include the Board Policies, Investment Policy, Trust Fund Agreement and Charter language.

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

□ **Adjourned at 2:55 PM**