



Retiree Health Care Trust Fund Board

SPECIAL BOARD MEETING MINUTES

Monday, February 12, 2024

1:30 p.m.

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

RETIREE HEALTH CARE TRUST FUND BOARD MEMBERS

President

Pauline Marx

Vice President

Paul Denning

Members

Al Casciato

Katharine Petrucione

David C. Salem

Trust Administrator

Alison Romano

Disability Access

The meeting will be held at the SFERS Office, 1145 Market Street, 6th 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 Kelsey Lim, Board Secretary, at (415) 487-7507 or by email at kelsey.lim@sfgov.org at least two (2) business days before the meeting.

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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 Kelsey Lim, Board Secretary, for further assistance at (415) 487-7507 or email at kelsey.lim@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 kelsey.lim@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 Kelsey Lim, Board Secretary, SFERS, 1145 Market Street, 5th Floor, San Francisco, CA 94103; telephone (415) 487-7507; or send an email with your request to kelsey.lim@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.

CALENDAR

- **Roll Call** **Call to Order: 1:30 PM**
Al Casciato - Present
Paul Denning – Present
Pauling Marx -- Present
Katharine Petrucione - Present
David Salem – Present

- 02122024-02 **Communications & General Public Comment**

Board Secretary, Kelsey Lim, reviewed public comment procedures for both in person and teleconference.

No Public comment

- 02122024-03 Action Item **Approve the Minutes of the November 20, 2023 Board Meeting**

Documents provided to Board prior to meeting: Minutes of the November 20, 2023 Meeting
Action: Moved by Commissioner Casciato and seconded by Commissioner Denning to approve the Minutes of the November 20, 2023 Meeting.

Ayes: Casciato, Denning, Marx, Petrucione, Salem Nays: None

- 02122024-04 Action Item **Approve the Minutes of the January 29, 2024 Special Board Meeting**

Documents provided to Board prior to meeting: Minutes of the January 29, 2024 Meeting
Action: Moved by Commissioner Denning and seconded by Commissioner Casciato to approve the Minutes of the January 29, 2024 Special Board Meeting

Ayes: Casciato, Denning, Marx, Petrucione, Salem Nays: None

- 02122024-05 Discussion Item **Quarterly Review of the Retiree Health Care Trust Fund Performance as of December 31, 2023**

Documents provided to Board prior to meeting: Staff Memorandum; Quarterly Review as of December 31, 2023 from Meketa Investment Group

Kurt Braitberg, RHCTF CIO and SFERS Managing Director- Public Markets, introduced this item.
Paola Nealon, of Meketa Investment Group, presented a written and oral presentation.
Action: This was a discussion item only.

- 02122024-06 Discussion Item **Investment Beliefs Survey**

Documents provided to the Board prior to meeting: Staff Memorandum; Meketa Investment Beliefs Survey Outcomes

Mr. Braitberg introduced this item.

Mika Malone, of Meketa Investment Group, presented a written and oral presentation on this item.

Commissioner Marx asked for further explanation on the term “power of capital preservation” stated on number four of the Investment Beliefs.

Ms. Malone responded that the intent of number four is that capital preservation is not losing money. For every dollar not lost, it makes capital grow over time.

Mr. Braitberg added that when the Board began diversifying its portfolio, there was a lot of discussion concerning global macro strategies. What was discussed, and still holds true today, is the greatest way to compound wealth or returns overtime, is to not lose it. The statement on number four is trying to capture that idea.

Commissioner Salem asked if “short term drawdown risk” referred to liabilities.

Ms. Malone explained that term would be “market drawdown.” She suggested adding the word “equity” – equity drawdown” because the Board is trying to create a portfolio that performs well over the long term and protect capital in the short term.

Commissioner Salem reiterated that drawdown risk refers to losses in the portfolio. He suggested that the number four statement read, “The power of capital preservation is substantial. Managing short term losses can positively impact the Fund’s ability to achieve its objectives.”

Ms. Malone suggested the phrase “mitigating short term losses.” She will present the revised statements at the next Board meeting.

In reference to statement number eight, Commissioner Salem asked whether it would be beneficial to define “illiquidity premium” as spread over the Russell 3000 or putting something quantifiable, rather than a generalization.

Ms. Malone advised the Board to not add a quantity. The illiquidity premium is likely to shift over time. The market place may change and the Board may adjust its benchmark premium or there may continue to be a challenged IPO Market and a one to two percent premium is more realistic. The goal is to keep the Board’s beliefs broader.

Mr. Braitberg agreed with Ms. Malone stating the Board should capture the sentiment rather than specifics.

Commissioner Petrucione suggested that this particular statement may need to be revisited and confirmed since the Board will want to establish a premium to close the loop.

Ms. Malone stated that it would be good practice to revisit these statements as often as the Board reviews the Investment Policy Statement, which is typically every three years. This way the Board can evaluate if they both represent market realities and represent future Board member beliefs.

Commissioner Salem questioned if ESG materially affects the risk and returns and if the term needs to be in the statement.

Caryn Bortnick, SFERS Chief Operating Officer, replied that ESG was intended to mean factors other than traditional factors, like interest rate risk which can and will impact performance.

Mr. Braitberg agreed with Ms. Bortnick and suggested replacing “ESG” with the term “non-financial.”

Action: This was a discussion item only.

- 02122024-07 Discussion Item **2024 Capital Markets Expectations**

Documents provided to Board prior to meeting: Staff Memorandum; Meketa 2024 Capital Market Assumptions Update

Mr. Braitberg introduced this item.

Mika Malone presented a written and oral presentation on this item.

Action: This was a discussion item only.

- 02122024-08 Action Item **Approve the Recommendation to Issue a Request for Proposals (RFP) for Investment Consulting Services**

Kurt Braitberg, RHCTF CIO and SFERS Managing Director- Public Markets, introduced this item

Action: Moved by Commissioner Casciato and seconded by Commissioner Denning to Approve the Recommendation to Issue a Request for Proposals (RFP) for Investment Consulting Services.

Ayes: Casciato, Denning, Marx, Petrucione, Salem Nays: None

- 02122024-09 Discussion Item **Review City and County of San Francisco Post Retirement Health Plan GASB 74/75 Report (December 2023)**

Caryn Bortnick, SFERS Chief Operating Officer, introduced this item.

Janet Brazelton, SFERS Actuarial Services Coordinator, presented an oral report on this item.

Commissioner Petrucione asked if the 2047 City Contributions and the Asset and Liability charts are connected.

Ms. Brazelton confirmed that they are connected and this is important to note for the Board because if the City no longer contributes to the pay-as-you-go benefits, it means those benefits will be coming out of the Trust Fund and the Board will have to consider liquidity.

Commissioner Marx wanted to see if there was a representation of a retiree not on Medicare to being on Medicare.

Ms. Brazelton stated that is not on this report. The retiree liability is not split between pre and post Medicare.

Ms. Bortnick said the Board might be able to get some information from page forty-three of the GASB report. It does not discuss liabilities but it does report premium changes.

Commissioner Salem noted on page twelve and thirteen the OPEB Liabilities section, line stating "benefits payment" which shows the number \$211,025,000, that this line refers to the number that the Trust is trying to cover.

Ms. Brazelton confirmed that the Board is trying to create a fund that will be sustainable to pay that amount.

Commissioner Casciato asked if Cheiron can provide a simple explanation to the members explaining the benefits of this fund.

Ms. Bortnick explained that the City has the contract with Cheiron, so this Board is not in a position to request additional documentation from Cheiron.

Commissioner Casciato explained that retirees are in the dark about the Trust Fund and do not understand how the Fund benefits current retirees. Retirees see that costs are rising and they are paying more, but believe there is a Trust Fund that should defray their costs.

Commissioner Petrucione explained whether or not this Trust is fully funded does not make a difference to retirees one way or another. The benefit in a fully funded Trust is for the City to offset costs that is primarily born by the general fund. The City has guaranteed in the charter to continue to pay retiree health costs regardless if the Trust exists or not.

Ms. Bortnick noted the concern and explained this fund has nothing to do with setting rates and benefits. The Trust's charter is to invest money. However, staff can draft an explanation describing the Trust's goal of accumulating funds over time to pay the benefits that the City is now bearing.

Action: This was a discussion item only.

- 02122024-10 Action Item **Review and Approve Proposed Budget FY 2024-25 and 2025-26**

Ms. Bortnick presented an amended budget to the Board. The Department of Elections was concerned about the Board putting in an allocation for an election when they may not happen. It was Staff's position that the Board keep that in the budget as a contingency in case it needed an election. However, due to the budget issues that some departments are facing, Staff have reached a compromise to take the \$70,000 out of the FY 2025-26 budget and when the Board reviews the budget in two years, it can decide to have an allocation every year or just when there is an election.

Action: Moved by Commissioner Casciato and seconded by Commissioner Salem to Approve Proposed Budget FY 2024-25 and 2025-26.

Ayes: Casciato, Denning, Marx, Petrucione, Salem Nays: None

- 02122024-11 Discussion Item **Trust Administrator Report**

Ms. Bortnick introduced this item.

Commissioner Salem noted he attended the CALAPRS General Principals of Pension Governance for Trustees and found it very helpful when he began serving on the RHCTF Board.

- 02122024-12 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.

Action: This was a discussion item only.

Adjourned at 4:30 PM

Next scheduled meeting is Monday, May 20, 2024 at 1:30pm