



# Retiree Health Care Trust Fund Board

## BOARD MEETING MINUTES

Monday, May 20, 2024

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*

**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, 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 Kelsey Lim, Board Secretary, at (415) 487-7507 or by email at [kelsey.lim@sfgov.org](mailto:kelsey.lim@sfgov.org) at least two (2) business days before the meeting.

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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 Kelsey Lim, Board Secretary, for further assistance at (415) 487-7507 or email at [kelsey.lim@sfgov.org](mailto: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](mailto: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, 5<sup>th</sup> Floor, San Francisco, CA 94103; telephone (415) 487-7507; or send an email with your request to [kelsey.lim@sfgov.org](mailto: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](http://www.sfgov.org/ethics).

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# CALENDAR

- **Roll Call**            **Call to Order: 1:35 PM**  
Al Casciato - Present  
Paul Denning – Not Present  
Pauling Marx -- Present  
Katharine Petrucione - Present  
David Salem – Present
  
- 05202024-02                            **Communications & General Public Comment**  
  
Board Secretary, Kelsey Lim, reviewed public comment procedures for both in person and teleconference.  
  
No Public comment
  
- 05202024-03    Action Item            **Approve the Minutes of the February 12, 2024 Board Meeting**  
  
Documents provided to Board prior to meeting: Minutes of the February 12, 2024 Meeting  
**Action:** Moved by Commissioner Casciato and seconded by Commissioner Petrucione to approve the Minutes of the February 12, 2024 Meeting.  
  
Ayes: Casciato, Marx, Petrucione, Salem    Nays: None
  
- 05202024-04    Action Item            **Approve Revised Investment Policy Statement**  
  
Documents provided to Board prior to meeting: Staff Memorandum; Meketa Summary of Proposed Changes and Proposed Revised Investment Policy Statement (Unmarked and Redlined)  
  
Kurt Braitberg, RHCTF CIO and SFERS Managing Director- Public Markets, introduced this item.  
  
Mika Malone, of Meketa Investment Group, provided a written and oral presentation.  
  
Commissioner Marx referred to section 9D and asked for further clarification on the edit to the statement regarding rebalancing.  
  
Ms. Malone explained that a paragraph was deleted from the original version that noted consultants and staff would report to the Board any assets shifted on an annual basis. This new language allows for a regular review, which in Meketa’s opinion, is a higher level of monitoring assets to ensure things remain in target ranges.  
  
Ms. Malone went on to say that the Board now has more illiquid asset classes. It would be a good idea to provide some language around the flexibility that is needed in order to rebalance the RHCTF portfolio to be at target. For example, if the market is in a short term, volatile period, Meketa may suggest to the Board to wait and be out of range instead of taking dramatic action during that short term. This is not meant to remove the Board’s involvement or mandate when the Board is informed, but rather highlight periods when the assets are out of range.  
  
Mr. Braitberg called attention to the last sentence of section 9d reading, “Staff and the Consultant *will* discuss with the Board any planned action (or inaction).” This is meant to address the two areas the Board is looking for which is, with the previous statement, staff would and could take action and inform the Board after the fact. Now, with the revised statement, staff may choose to not take action

and discuss planned action with the Board.

Commissioner Marx was uncertain if this revision might cause problems in terms of actual implementation. It seems staff is looking for a balance between informing in advance and informing after the fact. She questioned how one would inform the Board about inaction.

Ms. Malone remarked the final sentence is in reference to the sentence immediately proceeding it, which is "Not all asset classes have daily liquidity and there may be times when it is appropriate to allow assets to fluctuate outside of range. In *these* cases, staff and consultants will discuss with the Board any planned action (or inaction). In regards to Commissioner Marx's point, staff would not notify the Board if nothing happened because assets are fine, but rather in the cases where the portfolio is falling out of range because of the liquidity of the overall portfolio. Staff would inform the Board if it should do something or not.

Commissioner Petrucione thought the Board may want to define what it means to "consult or discuss with the Board," given that the Board meets quarterly. This could mean an email or calling a special meeting.

Caryn Bortnick, SFERS Chief Operating Officer, replied that the current practice is if there is an emergency, staff- as fiduciaries- would act and report to the Board at it's next scheduled meeting.

Alison Romano, SFERS CEO/CIO, suggested a proposed revision saying, "In these cases, staff will report to the Board and may discuss with the Board any planned action." This way staff is required to report to the Board when it goes outside of the bounds and "may report" to the Board which gives staff a little latitude when they must act quickly because there is a rapid shift in the market.

After discussion, Ms. Malone suggested the following revised statement:

Staff, with the support from the consultant, will regularly review the Fund to ensure it remains in line with the target asset allocation defined in the IPS. Rebalancing triggers will be based on deviations from the target allocation.

If any strategic allocation is outside the specified target range, assets may be shifted to return the strategy to within the target range. The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals. This rebalancing will be conducted with direction from the consultant and staff and reported to the Board.

Commissioner Petrucione noted in section 3K, the term ESG has not been previously defined. She suggests the term be written out.

The Board agreed to take out the term altogether and say, "non-financial factors can materially affect the risk in return characteristics of investments."

**Action:** Moved by Commissioner Casciato and seconded by Commissioner Salem to approve revised Investment Policy Statement.

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

- 05202024-05 Action Item **Approve Semi-Finalists for Investment Consulting Services**

Documents provided to Board prior to meeting: Staff Memorandum

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

Commissioner Salem wondered why the Board only received two proposals, when in the past, they

had received four.

Mr. Braitberg responded he would be speculating, but perhaps it is due to the consolidation of investment consulting businesses that has occurred over the past several years.

Commissioner Petrucione asked what the due diligence will consist of.

Mr. Braitberg answered that with the help of SFERS Staff, they will focus on each firm's capabilities and all the things staff would require of them from capital market assumptions to asset allocation work. Staff will go to onsite visits with both firms in order to meet the people who actually do the work and then staff will make an assessment.

**Action:** Motion made by Commissioner Salem and seconded by Commissioner Casciato to Approve Semi-Finalists for Investment Consulting Services.

Ayes: Casciato, Marx, Petrucione, Salem

- 05202024-06 Discussion Item **Quarterly Review of the Retiree Health Care Trust Fund Performance as of March 31, 2024**

Documents provided to the Board prior to meeting: Staff Memorandum; Meketa Quarter 1 Performance Report

Mr. Braitberg introduced this item.

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

Commissioner Salem requested staff remind the Board if any of the key people working for SVB at the time they were recommend to the have left the firm..

Mr. Braitberg responded there were four named principals, two have since left. The founding principals of SVB Capital remain and they were the ones who ended up selling the business. However, it is important to remember this is a fund of funds. They are not trading individual securities. They are monitoring allocations made to underlying managers.

Commissioner Salem asked for clarification on the term "tail risk."

Ms. Malone answered one of the primary ways one sees tail risk is in an insurance component. One pays a little bit every month for a sort of black swan type negative.

Mr. Braitberg went on to explain that tail risk strategies often use derivatives where an investor buys protection and if the market fails, one gets that protection back. Managers scour the markets in equities, currencies, and rates looking for cheap protection. The challenge with those types of managers is there is a cost to them, much like an insurance that one pays premiums month after month and if nothing happens, there is a negative performance. The Man Alpha Impact group will size them up correctly. The idea being the cost will not be so great that it will damage returns.

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

- 05202024-07 Discussion Item **Review Private Market Pacing Studies**

Documents provided to Board prior to meeting: Staff Memorandum; Meketa Private Market Pacing Studies

Kurt Braitberg introduced this item.

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

Commissioner Marx commented that this was a great way of looking at this and one can see how it fits into the work plan for the year.

Action: This was a discussion item only.

- 05202024-08 Discussion Item **Trust Administrator Report**

Documents provided to Board prior to meeting: Staff Memorandum, Cortex Report

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

Commissioner Petrucione requested to change the next regularly scheduled meeting in August to August 26, 2024.

The Board agreed to reschedule the next meeting to the fourth Monday of August rather than the third Monday.

Action: This item is a discussion item only.

- 05202024-09 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 3:05 PM**

Next scheduled meeting is Monday, August 26, 2024 at 1:30pm