



Retiree Health Care Trust Fund Board

SPECIAL BOARD MEETING MINUTES

Monday, February 9, 2026

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

Paul Denning

Vice President

David Salem

Members

Al Casciato

Pauline Marx

Katharine Petrucione

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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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.

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.

different strategies. Ms. Malone responded that the managers have done quite well in the short downturns, but there just haven't been that many downturns since the start of the investment. They haven't had as many chances to prove their downside protection ability.

Commissioner Salem noted that the Global Macro benchmark returned 6.1% and the allocation did not seem like it did well relative to the benchmark. Ms. Nealon pointed out that benchmarking in the alternative asset space is imperfect. Commissioner Salem questioned why the Trust is investing in this strategy when the payout is 25 years from now. It seems that \$165 million could be distributed elsewhere.

Ms. Malone agreed with Commissioner Salem that it is difficult to appreciate the value of a high-risk strategy like this in the market environment of the last five to seven years. Over a span of 25 years, the Trust's equity holdings can tolerate a fair amount of risk because the Trust has a long horizon. However, Meketa analyzes the path to the end result. Staff and Meketa determine if there is a more efficient way to get the Trust to its end goal. She reminded the Board that the rest of the portfolio is heavily skewed towards risk assets. A strategy like this is meant to rebalance the portfolio.

Alison Romano, SFERS CEO/CIO and Trust Administrator, added that the Trust has a very long-term horizon and the Trust does not have cash out flows since it is not paying benefits right now. The path to that horizon still matters because the Asset Allocation Study shows the need to rebalance when there is a dislocation. The risk-mitigating strategy helps when there may be a dislocation in both equity and credit at the same time. If that asset class is generating cash, the portfolio can rebalance in the underappreciated asset. When it rebounds, the Trust will have the exposure it needs. While the Trust can accept volatility as a long-term investor, having assets that perform in the downturn, let the Trust remain in that asset allocation.

Action: This was a discussion item only.

□ 02092026-06 Action Item **Review and Approve JP Morgan Core Bond as a Replacement for BlackRock US Debt**

Documents provided to the Board prior to meeting: Staff Memorandum; Q4 Preliminary Performance Report from Meketa Investment Group

Mark McKeown, of Meketa Investment Group, presented a written and oral presentation on this item.

Commissioner Denning wondered how Meketa and Fund Managers use artificial intelligence (AI) in their line of work.

Mr. McKeown responded Meketa generally uses AI as a template. AI is great for plugging in topics, research, and/or creating reports for subject matter that managers specifically need. Meketa uses AI for meeting notes as more of a time saver. After all the AI data has been collected, Meketa will then go in and clean it up to fit Meketa's style, language, and finalization.

Commissioner Salem considered the Manager Overviews on page 7 and questioned if JP Morgan was too big for SF RHCTF considering the firm's \$3.9 trillion versus RHCTF's \$140 million.

Mr. McKeown agreed that money JP Morgan works with seems overwhelming. He went on to explain that firms like JP Morgan get scale advantages that other asset classes do not get to see or may have to pick up in the secondaries. JP Morgan has the expertise of analysts who understand the core bond universe.

Action: Moved by Commission Petrucione and seconded by Commissioner Salem to approve JP Morgan Core Bond as a Replacement for BlackRock US Debt

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

□ 02092026-07 Discussion Item **2026 Capital Market Expectations**

Documents provided to Board prior to meeting: Staff Memorandum; Meketa 2026 Capital Market Assumptions Update

Mika Malone, of Meketa Investment Group, presented a written and oral presentation on this item. Commissioner Marx asked for clarification between the two portfolios.

Ms. Malone referenced page 10 of the Capital Market Expectations report which displays the City and County Portfolio and the Community College District Portfolio. This page shows the breakdown of every asset class and includes the targets for each asset class. It should be noted that there is significantly more exposure to developed market equities outside of the US in the Community College District (CCD) because the portfolio does not include private markets. CCD does not have risk mitigating strategies. It has more equity exposure, therefore, a higher absolute expected return, but relative to last year, the CCD return dropped because they had more non-US Exposure.

Action: This was a discussion item only.

□ 02092026-08 Discussion Item **Review Private Market Pacing Studies**

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

Mika Malone, of Meketa Investment Group, presented a written and oral presentation on this item. Commissioner Salem asked for clarification on what private credit includes.

Ms. Malone explained private credit tends to be asset based. For example, financing bank lending where the Trust provides capital to groups to invest.

Commissioner Salem wondered how Staff ensures these companies are doing their due diligence when researching and evaluating their loans.

Ms. Malone responded that Meketa's job is to ensure these strategies reasonably and accurately assess the risks in the marketplace. There are many components to private credit. Meketa wants managers who stick to their strengths and will not change their strategy because that is where they think money will go. The Trust wants to capitalize and produce strong returns based on the leverage they employ.

Action: This was a discussion item only.

□ 02092026-09 Action Item **Review and Approve Amendment to Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Executory Authority**

Documents provided to Board prior to meeting: Staff Memorandum; Amendment to Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Executory Authority

Ms. Bortnick introduced this item.

Action: Moved by Commissioner Marx and seconded by Commissioner Salem to Approve Amendment to Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Executory Authority

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

- 02092026-10 Action Item **Review and Approve Amendment to Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Investment Authority for Cash Transfers and Payments**

Documents provided to Board prior to meeting: Staff Memorandum; Amendment to Resolution Regarding SF RHCTF Delegation of Investment Authority for Cash Transfers and Payments

Ms. Bortnick introduced this item.

Action: Moved by Commissioner Salem and seconded by Commissioner Petrucione to Approve Amendment to Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Investment Authority for Cash Transfers and Payments

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

- 02092026-11 Action Item **Review and Approve Amendment to Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Investment Authority**

Documents provided to Board prior to meeting: Staff Memorandum; Amendment to Resolution Regarding SF RHCTF Delegation of Investment Authority

Ms. Bortnick introduced this item.

Action: Moved by Commissioner Petrucione and seconded by Commissioner Salem to Approve Amendment to Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Investment Authority

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

- 02092026-12 Action Item **Review and Approve Proposed Budget FY 2026-27 and FY 2027-28**

Documents provided to Board prior to meeting: Staff Memorandum; RHCTF Proposed Budget

Ms. Bortnick introduced this item. She clarified the difference between the Northern Trust Master Custody Agreement and Northern Trust Grantor Trust Agreement. She explained that as the equities in the Grantor Trust earn money, Northern Trust earns commission. The Master Custody is the administrative cost to custody the assets within the Grantor Trust.

Action: Moved by Commissioner Petrucione and seconded by Commissioner Salem to Approve Proposed Budget FY 2026-27 and FY 2027-28

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

- 02092026-13 Discussion Item **Trust Administrator Report**

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

Caryn Bortnick, SFERS Chief Operating Officer, presented an oral presentation on this item.

Ms. Bortnick notified the Board that there are two investment items that will require the Board to meet before the next regularly scheduled meeting.

The Board agreed to hold a special board meeting on Monday, March 16, 2026 at 1:30pm.

Action: This item is a discussion item only.

- 02092026-14 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 3:30 PM

Next scheduled meeting is Monday, March 16, 2026 at 1:30pm