



Retiree Health Care Trust Fund Board

BOARD MEETING MINUTES

Monday, February 5, 2018

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

Katharine Petrucione

Vice President

David Salem

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, 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 Sofia Millham, Board Secretary, at (415) 487-7055 or by email at 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 8th 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.

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 sof@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, 5th Floor, San Francisco, CA 94103; telephone (415) 487-7055; or send an email with your request to 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.

CALENDAR

- **Roll Call: Call to Order: 1:30pm**
 - Commissioner Petrucione -- present
 - Commissioner Salem -- present
 - Commissioner Marx -- present
 - Commissioner Murphy -- present
 - Commissioner Walsh -- present

- 02052018-02 **General Public Comment**

Commissioner Petrucione noted that there were no members of the public present.

- 02052018-03 Action Item **Approve the Minutes of the November 27, 2017 Board Meeting**

Documents provided to Board prior to meeting: November 27, 2017 Draft Minutes

Commissioner Petrucione requested that the spelling of Meketa on page 3 be corrected.

Action: Moved by Commissioner Murphy, seconded by Commissioner Walsh to approve minutes as amended of the November 27, 2017 Retiree Health Care Trust Fund Board Meeting, which corrected the spelling of Meketa on page 3.

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

- 02052018-04 Action Item **Approve Updated Investment Policy Statement**

Documents provided to Board prior to meeting: Staff Memorandum; Draft Investment Policy Statement

Bill Coaker, SFERS Chief Investment Officer, provided a written and oral report on the updated Investment Policy Statement.

Commissioner Salem noted that the language related to staff responsibilities appeared duplicative and requested clarification on this section.

Commissioner Murphy requested language clarifying how staff will execute this policy.

Commissioner Petrucione requested that staff rework this section and bring it back at the next meeting.

Action: This item was continued to the next board meeting.

02052018-05 Action Item **Approve Recommendation to Invest Up to \$7.02 Million with Payden & Rygel to Manage the Emerging Markets Debt Strategy**

Documents provided to Board prior to meeting: Staff Memorandum; Meketa Memorandum

Mika Malone, of Meketa Investment Group, provided an oral and written report on this item.

The newly adopted asset allocation policy for the Trust includes an allocation to Emerging Markets Debt of 3%. Pending contract negotiations, Meketa plans to fully fund the emerging markets debt allocation in one tranche given its size, with completion targeted for first quarter 2018.

The approximate allocation from each of the portfolios to Emerging Markets Debt is:

- San Francisco Retiree Health Care Trust Fund: \$6.6 mm
- San Francisco Community College District Health Care Trust Fund: \$0.42 mm

Ms. Malone reported on the search process and summarized the evaluation criteria explained in the written report.

Bill Coaker, SFERS Chief Investment Officer, spoke in support of this item.

Action: Moved by Commissioner Marx and seconded by Commissioner Walsh to approve the recommendation to invest up to \$7.02 million with Payden & Rygel to manage the Emerging Markets Debt Strategy.

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

□ 02052018-06 Action Item **Approve Recommendation to Invest Up to \$37.4 Million with GQG Partners to Manage the Emerging Markets Equity Strategy**

Documents provided to Board prior to meeting: Staff Memorandum; Meketa Memorandum

Bill Coaker, SFERS Chief Investment Officer, spoke in support of this item.

Mika Malone, of Meketa Investment Group, provided an oral and written report on this item.

The newly adopted asset allocation policy for the Trust includes a 16% allocation to Emerging Markets Equity. Pending contract negotiations, Meketa plans to fully fund the emerging markets equity allocation in three tranches, done over a six-month period, with completion targeted prior to third quarter 2018.

The approximate allocation from each of the portfolios to Emerging Markets Equity is:

- San Francisco Retiree Health Care Trust Fund: \$35.2 mm
- San Francisco Community College District Health Care Trust Fund: \$2.2 mm

Ms. Malone reported on the search process and summarized the evaluation criteria explained in the written report.

Commissioner Salem expressed concern over how young a company GQG Partners is.

Action: Moved by Commissioner Walsh and seconded by Commissioner Salem to approve

the recommendation to invest up to \$37.4 million with GQG Partners to manage the Emerging Markets Equity Strategy.

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

Recess 2:42 PM - 3:56 PM

□ 02052018-07 Discussion Item **Review of the Q4 Performance Report**

Documents provided to Board prior to meeting: Staff Memorandum; Q4 Performance Report

Bill Coaker, SFERS Chief Investment Officer, and Mika Malone, of Meketa Investment Group, presented on this item.

Action: This was a discussion item only.

□ 02052018-08 Action Item **Approve Amended and Restated Memorandum of Understanding Between SFERS and RHCTF**

Documents provided to Board prior to meeting: Staff Memorandum; Amended and Restated Memorandum of Understanding between SFERS and RHCTF

Action: This item was continued to the next meeting.

□ 02052018-09 Discussion Item **Review of Retiree Health Care Trust Fund 2017 Financial Statements and Required Supplementary Information**

Documents provided to Board prior to meeting: Staff Memorandum; Retiree Health Care Trust Fund Financial Statements and Required Supplementary Information, Year Ended June 30, 2017

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

Commissioner Petrucione asked who prepared these documents and if they will continue to prepare them going forward. Ms. Bortnick reported that the Controller's CAFR team prepared this report and will continue to do so going forward.

Commissioners Petrucione, Salem and Marx requested changes and clarifications for future versions of this report. Jay Huish, SFERS Executive Director suggested that the Board request the auditor present to the full Board.

Action: This was a discussion item only.

- 02052018-10 Action Item **Approve a One Year Extension on the Meketa Investment Group Contract, Through July 15, 2019**

Documents provided to Board prior to meeting: Staff Memorandum

Caryn Bortnick, SFERS Deputy Executive Director, presented an oral report on this item. She reported that it was staff's recommendation, due to timing concerns, that the Board extend the contract by a year.

Action: Moved by Commissioner Walsh and Seconded by Commissioner Salem to approve a one-year extension on the Meketa Investment Group contract, through July 15, 2019.

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

- 02052018-11 Action Item **Budget Review and Approval of Department Budget for FY 2018-2019**

Documents provided to Board prior to meeting: Staff Memorandum; Draft Budget

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

Commissioner Petrucione asked why this was only a one-year budget and requested to see a two-year budget at the next meeting.

Action: This item was continued to the next Board meeting.

- 02052018-12 Discussion Item **Trust Administrator Report**

Documents provided to Board prior to meeting: Staff Memorandum

- Existing contracts
- Statements of Economic Interest

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

Action: This was a discussion item only.

- 02052018-13 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 the Board Educational Opportunities.

Action: This was a discussion item only.

- 02052018-14 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.

- **Adjourn 4:55 PM**