



# Retiree Health Care Trust Fund Board

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## BOARD MEETING MINUTES

Monday, April 30, 2018

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*

**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, 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 [sof@sfgov.org](mailto: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, 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**
  - Commissioner Petrucione – present
  - Commissioner Salem – present
  - Commissioner Marx – present
  - Commissioner Murphy – present
  - Commissioner Walsh - present

- 04302018-02 **General Public Comment**

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

- 04302018-03 Action Item **Approve the Minutes of the February 5, 2018 Board Meeting**

Documents provided to Board prior to meeting: February 5, 2018 Draft Minutes

**Action:** Moved by Commissioner Petrucione and seconded by Commissioner Marx to approve the minutes of the February 5, 2018 Board Meeting.

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

- 04302018-04 Action Item **Approve Recommendation to Invest Up to \$12.7 Million with Either Northern Trust or State Street Global Advisors (SSGA) to Manage the Trust's TIPS Allocation**

Documents provided to Board prior to meeting: Staff Memorandum; Meketa Memorandum  
Kurt Braitberg, SFERS' Managing Director of Public Markets introduced himself to the Board.  
Mika Malone, of Meketa Investment Group, presented an oral and written report on this item.

The newly adopted asset allocation policy for the Trust includes an allocation to U.S. Treasury Inflation Protected Securities (TIPS) of 5%. Meketa recommended to the Board that this allocation be made passively (through an index fund) given the efficiency of the TIPS marketplace.

The approximate total allocation from each of the portfolios to TIPS based on 3/31 market values is:

- San Francisco Retiree Health Care Trust Fund: \$12.0 Million.
- San Francisco Community College District Health Care Trust Fund: \$0.7 Million.

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

Mr. Braitberg spoke in support of this item.

Commissioner Murphy raised concerns related to the monitoring of Security Lending Provisions and asked what kind of monitoring can be implemented.

**Action:** Moved by Commissioner Murphy and seconded by Commissioner Salem to approve

recommendation to invest up to \$12.7 million with Northern Trust to manage the Trust's TIPS Allocation with the recognition that it has securities lending which must be monitored by the Board.

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

□ 04302018-05 Action Item **Approve Recommendation to Invest Up to \$15.27 Million in GoldenTree Multi-Sector Credit Fund**

Documents provided to Board prior to meeting: Staff Memorandum; Meketa Memorandum  
Tim Atkinson, a Senior Research Analyst at Meketa Investment Group, presented oral and written report on this item.

The newly adopted asset allocation policy for the Trust includes an allocation to High Yield/Bank Loans of 6%.

The approximate allocation from each of the portfolios to High Yield/Bank Loans, based on 3/31 Market Values, is:

- San Francisco Retiree Health Care Trust Fund: \$14.44 Million
- San Francisco Community College District Health Care Trust Fund: \$0.83 Million

Mr. Atkinson reported on the search process and summarized the evaluation criteria explained in the written report.

Mr. Braitberg spoke in support of this item.

**Action:** Moved by Commissioner Walsh and seconded by Commissioner Murphy to approve recommendation to invest up to \$15.27 million in GoldenTree Multi-Sector Credit Fund

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

**Break: 2:50 PM to 2:55 PM**

Commissioner Petrucione called Item 7.

□ 04302018-07 Action Item **Approve Updated Investment Policy Statement**

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

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

Commissioner Petrucione requested that staff update the pagination in the document.

Commissioner Walsh raised the issue of socially responsible investing.

**Action:** Moved by Commissioner Murphy and seconded by Commissioner Walsh to approve the Updated Investment Policy Statement.

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

Commissioner Petrucione called Item 8.

□ 04302018-08 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

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

this item.

Commissioner Murphy noted the document needed to be dated.

**Action:** Moved by Commissioner Murphy and seconded by Commissioner Walsh to approve Amended and Restated Memorandum of Understanding Between SFERS and RHCTF.

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

Commissioner Petrucione called Item 6.

Commissioner Murphy left the meeting at 3:04 PM.

□ 04302018-06 Discussion Item **Review of the Q1 2018 Performance Report**

Documents provided to Board prior to meeting: Staff Memorandum; Q1 2018 Performance Report

Paola Nealon, of Meketa Investment Group, presented a written and oral report on this item.

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

Commissioner Petrucione called Items 9, 10, 11 and 12 together.

□ 04302018-09 Action Item **Review and Approval of Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Executory Authority**

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

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

**Action:** Moved by Commissioner Walsh and seconded by Commissioner Salem to approve Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Executory Authority.

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

□ 04302018-10 Action Item **Review and Approval of Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Investment Authority**

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

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

**Action:** Moved by Commissioner Walsh and seconded by Commissioner Salem to approve Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Investment Authority.

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

□ 04302018-11 Action Item **Review and Approval of Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Authority for Cash Transfers and Payments**

Documents provided to Board prior to meeting: Staff Memorandum; Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Authority for Cash Transfers and Payments

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

**Action:** Moved by Commissioner Walsh and seconded by Commissioner Salem to approve Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Authority for Cash Transfers and Payments.

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

- 04302018-12 Action Item **Review and Approval of Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Trading Authority**

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

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

**Action:** Moved by Commissioner Walsh and seconded by Commissioner Salem to approve Resolution Regarding San Francisco Retiree Health Care Trust Fund Delegation of Trading Authority.

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

- 04302018-13 Discussion Item **Review of Department Budget for FY 2018-2019 and 2019-2020**

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

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

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

- 04302018-14 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.

Jay Huish, SFERS Executive Director, discussed the various options available to the Board in preparing for the upcoming Investment Consultant RFP process.

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

- 04302018-15 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.

- 04302018-16 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 3:35 PM**