



# Retiree Health Care Trust Fund Board

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## SPECIAL BOARD MEETING MINUTES

Friday, October 4, 2019

**9:00 a.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*

**David Salem**

*Vice President*

**Katharine Petrucione**

*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: 9:02 AM**
  - David Salem - Present
  - Katharine Petrucione - Present
  - Pauline Marx - Present
  - Clare Murphy - Present
  - Ed Walsh – Absent
  
- 10042019-02      **General Public Comment**

Commissioner Salem called for general public comment.  
John Stenson, retiree, spoke against investing in hedge funds.
  
- 10042019-03      Action Item      **Review and Approve Proposed Asset Allocation and Implementation Plan**

Documents provided to Board prior to meeting: Staff Memorandum; Meketa Presentation  
Commissioner Salem called for public comment.  
David Williams, SEIU 1021, spoke against investing in hedge funds.  
John Stenson, retiree, spoke against investing in hedge funds.  
Claire Zvanski, RECCSF, spoke against investing in hedge funds.  
Sharon Wilensky, retiree, spoke against investing in hedge funds.  
SEIU Local 1021 submitted a letter stating their position against investing in hedge funds to be presented to the Board. A copy of that letter is attached to end of these minutes.  
Kurt Braitberg, SFERS' Managing Director of Public Markets, introduced this item.  
Mika Malone and Paola Nealon, Meketa Investment Group, presented a written and oral report on this item.

During the April 22 and August 19 Board meetings, Meketa and Staff discussed the types of asset categories that the RHCTF Board could consider now that the Fund has grown to nearly \$400 million. Among these are more illiquid strategies such as private equity and real estate and, certain liquid strategies (i.e. risk mitigating) including short duration TIPS, long duration treasuries, and global macro.

As discussed, the purpose of adding additional asset classes and strategies to an existing investment portfolio is to improve the efficiency of the portfolio by maintaining long-term expected returns while reducing the probability of loss. While dozens of possible asset classes exist that could be added, Meketa Investment Group and Staff have focused on those that they believe will provide strong diversification benefits when combined with the current portfolio.

Three asset allocation policies were presented. Each focused on reducing the equity risk in the portfolio as well as further diversifying the opportunities within the Fund.

The first policy presented (Alternative 1) reduced Equities from 77% to 59%; increased Rate Sensitive from 14% to 22%; and, increased Privates (Private Equity and Real Estate) from 0% to 10%

The second policy presented (Alternative 2) also reduced Equities from 77% to 59%; increased Rate Sensitive from 14% to 17%; increased Privates from 0% to 10%; and

increased Risk Mitigating (Global Macro) from 0% to 5%.

The third policy presented (Alternative 3) reduced Equities from 77% to 50%; reduced Rate Sensitive from 14% to 10%; increases Credit from 9% to 10%; increased Privates from 0% to 20%; and increased Risk Mitigating (Global Macro) from 0% to 10%.

Commissioner Petrucione asked what a reasonable look-back period is to assess if the new allocation is achieving the goals set for the Fund.

Ms. Malone stated that these allocations are based on a 10-20 year expectations for the market but that there are intermittent time periods along the way to pause and reflect on how the allocations are achieving their objectives. She stated that a full market cycle is about 3-5 years and a good time to do this, however private markets are hard to judge at just 5 years.

Commissioner Marx requested that the consultant talk about how the managers are across the spectrum, if they are specialists or generalists.

Commissioner Salem inquired about implementing ESG investing. He asked if the Board would have oversight on ESG issues in private equity.

Ms. Malone reported that this kind of oversight is challenging in private markets. Normally you are investing in a blind pool of asset, however some private equity funds have a focus on renewables or ESG.

Mr. Braitberg stated that once a commitment is made in private equity the Board has little control.

Commissioner Salem asked what the exit strategy for these global macro investments is.

Mr. Braitberg stated staffs' expectation that these kind of investments do earn positive returns in normal markets, but their real value is as protection in down markets.

Commissioner Petrucione asked how many managers the Fund would initially engage with.

Mr. Braitberg said less than 5 managers but more than 1.

Commissioner Murphy stated that the Board is faced with a regular event that occurs for any board like the Retiree Health Care Trust Fund Board. The challenge is to first establish a set of assets that the Board is directing staff to proceed with to develop all the next steps so that they move from a position that the Board has clearly identified has some challenges. She said that the high concentration of equities in the Fund puts it at a different kind of risk and that compared to any other Board, they are in a unique position and that they are making an overall decision about what to do with all of the money and how to plan our activities over the next few years to get to the point of having made these changes. She stated that she believes Alternative 2 will move the Fund to a stronger position for the coming markets and challenges.

Commissioner Salem expressed reservations regarding alternative two at this time. He stated that he does not believe the Fund is big enough to look at global macro at this time. He recommended Asset Allocation Alternative 1 at this time.

**Action:** Moved by Commissioner Murphy and seconded by Commissioner Petrucione to adopt staffs' recommendation to select Asset Allocation Alternative 2.

Ayes: Marx, Petrucione and Murphy. Nays: Salem.

□ 10042019-04 Discussion Item **Trust Administrator Report**

Documents provided to Board prior to meeting: Staff Memorandum; Proposed Charter Amendment

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

- Proposed Charter Amendment

Commissioner Marx asked how many people affected by the Proposed Charter

Ms. Bortnick stated that it was unclear, but it would be less than 10.

Commissioner Petrucione asked what the effect on retiree health care would be.

Ms. Bortnick said the effect would be limited.

Commissioner Salem called for public comment.

John Stenson, retiree, spoke against hedge funds.

Claire Zvanski, RECCSF thanked the Board for supporting the amendment.

Commissioner Murphy clarified that the Board was informed of the proposed amendment's existence, but that the Board did not take action on it.

**Proposed Action:** This item is a discussion item only.

- 10042019-05 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.

Commissioner Salem stated that he would like an ESG informational session at a future meeting.

Commissioner Salem called for public comment.

**Proposed Action:** This is a discussion item only.

- **Adjourn - 10:32 AM**



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October 1, 2019

Board of Trustees  
San Francisco Retiree Healthcare Trust Fund  
c/o SFERS  
1145 Market Street, 6<sup>th</sup> Floor  
San Francisco CA 94103

Dear Board of Trustees:

We are writing about the proposal for the Retiree Healthcare Trust Fund (RHCTF) to create an allocation for Hedge Funds in your portfolio. I understand this proposal will be presented at the Board meeting on Friday, October 4<sup>th</sup>. At the meeting today of the SEIU Local 1021 Retiree Council, we voted to oppose investing RHCTF money in Hedge Funds. We have concerns with Hedge Funds, including their high fees. Also, there is a lack of transparency, volatility, and difficulty in getting information for the San Francisco Retirees.

On behalf of the SEIU Local 1021 Retired members in San Francisco, as well as all the Retired members in Local 1021, and also on behalf of the Retirement Security Committee of Local 1021, we urge the Board of Trustees of the RHCTF to reject this proposal to invest in Hedge Funds.

Pete Albert  
Chair Retiree Council  
SEIU Local 1021

Cynthia Landry  
Chair Retirement Security Committee  
SEIU Local 1021