



Retiree Health Care Trust Fund Board

SPECIAL BOARD MEETING MINUTES

Monday, February 24, 2020

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

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, 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.

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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.

report on this item.

Commissioner Salem asked how a Board should decide what matters as an ESG issue.

Mr. Braitberg responded that the Board's focus when it comes to addressing ESG issues is maximizing returns or minimizing risks, and that then turning to addressing specific social issues is straying from the Board's fiduciary duty.

Commissioner Marx requested that staff relay how the current managers are acting in this space.

Mr. Braitberg responded that there are only three active managers and that the rest of the managers are passive so there is no ESG consideration with those managers at all.

Commissioner Salem requested that future investment recommendations include an ESG analysis.

Mika Malone, Meketa Investment Group, stated that they would incorporate that into the process.

Caryn Bortnick, SFERS' Deputy Executive Director, suggested that the Board give staff guidance on the issues important to them in order to narrow the universe. She suggested the Board direct staff to come back with a belief statement.

Jay Huish, SFERS' Executive Director, reported that SFERS has acted on some of the requests from stakeholders to react to world events and issues, but SFERS has consistently remained focused on how risky does a holding make the investment and will it benefit the beneficiaries if the plan decides to divest.

Commissioner Salem noted that SFERS staff does track how divestment has either earned or lost the fund money.

Commissioner Marx wants to know that with the upcoming manager searches that ESG is a factor and that a risk analysis using these factors is happening.

Commissioner Murphy requested that the SFERS ESG Policy be sent to the Board.

Commissioner Petrucione asked for clarification on ESG policies and ESG beliefs.

Ms. Bernstein said that larger plans have drawn out core beliefs to illustrate what is driving their overall strategy, she offered to provide examples from other adopted plans.

Action: This was a discussion item only.

- 02242020-07 Action Item **Approve Allowing Closed Session Meetings for Certain Investment Types**

Documents provided to Board prior to meeting: Staff Memorandum

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

Kurt Braitberg, SFERS' Managing Director of Public Markets, discussed how investing in private investments requires disclosure of business confidential information to the Board. He said the spread between the best and worst managers is very high in the private sector. He stated that limiting all discussions to only open session will limit what can be discussed and what managers the Fund will attract.

Commissioner Marx asked what actions in closed session are then made public.

Ms. Bortnick explained that the information made public will be the name of the manager, the amount of the investment and the roll call vote and that this information would be made public at the meeting following the closing of the investment.

Commissioner Murphy asked how the items would be calendared.

Jay Huish, SFERS' Executive Director, stated the number of items being heard under this Government Code in closed session would be noted on the agenda, but nothing more, then the Board would decide at the end of closed session whether or not to disclose what was discussed.

Commissioner Murphy asked how the board could discuss updates on these investment actions made in closed session.

Mr. Huish explained that status updates are not allowed in closed session.

Commissioner Murphy stated that she is concerned that they can never talk about these decisions unless the investment closes and becomes publicly noticed.

Mr. Huish explained that without the ability to go into closed session for these kinds of investments, it will limit the Board's ability to ask questions and learn more about the investment.

Commissioner Salem asked how performance would be reported out for these investments.

Mr. Braitberg explained that some would be reported generally under the subcategory of the investment type.

Commissioner Murphy asked what if an issue arose where the Board wanted to remove themselves from an investment.

Tran Ly, Deputy City Attorney, explained that it could be heard in closed session since this Government Code covers both purchases and sales.

Action: Moved by Commissioner Murphy and seconded by Commissioner Walsh to approve SFERS Staff Recommendation that the Retiree Health Care Trust Fund Board Hear and Decide Certain Investment Recommendations in Closed Session pursuant to Government Code Section 54956.81.

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

- 02242020-08 Action Item **Approve Exercising the Option to Extend Expiring Contracts for Northern Trust and BlackRock for an Additional Five Year Period.**

Documents provided to Board prior to meeting: Staff Memorandum

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

Commissioner Murphy asked if there was an issue regarding BlackRock.

Kurt Braitberg, SFERS' Managing Director of Public Markets, explained that the extension does not preclude the Board's ability to change the contracts.

Action: Moved by Commissioner Marx and seconded by Commissioner Murphy to approve exercising the option to extend expiring contracts for Northern Trust and BlackRock for an additional five-year period.

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

- 02242020-09 Action Item **Accept the GASB 74/75 Report**

Documents provided to Board prior to meeting: GASB 74/75 Report

Caryn Bortnick, SFERS' Deputy Executive Director, introduced this item.

Janet Brazelton, SFERS' Actuarial Coordinator, presented an oral report on this item.

Commissioner Murphy asked if there was similar report for the Community College District and if the San Francisco Unified School District issued one.

Ms. Bortnick reported that she would look into this.

(add JB handout to minutes)

Action: Moved by Commissioner Murphy and seconded by Commissioner Walsh to accept the GASB 74/75 Report.

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

□ 02242020-10 Discussion Item **Budget Update**

Documents provided to Board prior to meeting: Budget

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

Action: This item was a discussion item only.

□ 02242020-11 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.

Ms. Bortnick reported that the next regularly scheduled meeting will be May 18, 2020.

Action: This item was a discussion item only.

□ 02242020-12 Discussion Item **Board Educational Opportunities**

Documents provided to Board prior to meeting: Public Retirement Conferences and Training Programs from Nossaman, LP; List of Educational and Training Opportunities from Cortex Applied Research

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

Action: This was a discussion item only.

□ 02242020-13 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 4:02 PM**