



Retiree Health Care Trust Fund Board

BOARD MEETING MINUTES

Monday, May 17, 2021

1:00 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

Pauline Marx

Vice President

Edward Walsh

Members

Clare Murphy

Katharine Petrucione

David Salem

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 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.

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 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.

CALENDAR

- **Roll Call** **Call to Order: 1:07 PM**
Pauline Marx - Present
Clare Murphy - Present
Katharine Petrucione - Present
David Salem - Present
Ed Walsh – Present

- 05172021-02 **Communications & General Public Comment**

Board Secretary, Kelsey Lim, reviewed public comment procedures due to Covid-19 restrictions.

- 05172021-03 Action Item **Approve the Minutes of February 1, 2021 Board Meeting**

Documents provided to Board prior to meeting: February 1, 2021 Draft Minutes
Action: Moved by Commissioner Murphy and seconded by Commissioner Salem to approve the Minutes.
Ayes: Marx, Murphy, Petrucione, Salem, Walsh Nays: None

- 05172021-04 Discussion Item **Quarterly Review of Retiree Health Care Trust Fund Performance as of March 31, 2021**

Documents provided to Board prior to meeting: Staff Memorandum; Meketa Performance Report as of March 31, 2021
Kurt Braitberg, SFERS' Managing Director of Public Markets, introduced this item.
Paola Nealon, of Meketa Investment Group, presented a written and oral report on this item.
Action: This was a discussion item only.

- 05172021-05 Action Item **Approve Amendments to the Investment Policy Statements**

Documents provided to Board prior to meeting: Staff Memorandum; Redline and Clean Versions of Amended Investment Policy Statement
Kurt Braitberg, SFERS' Managing Director of Public Markets, introduced this item.
Commissioner Salem asked if there would be a situation where there would be multiple sub-trusts? If so, he would recommend to change the word 'both' to 'each.'
The Board recommended to approve the Investment Policy Statement with the provision of changing the words 'both' to 'each' throughout the Statement and staff would not need to bring back the Policy Statement to the Board for approval.
Commissioner Marx requested that the revised IPS be sent to the Board.
Action: Moved by Commissioner Walsh and seconded by Commissioner Salem to approve Amendments to the Investment Policy Statements

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

- 05172021-06 Action Item **Approve Commitments of \$20 Million to AEW Core Property Trust and \$12 Million to TA Realty Core Property Trust to the City and County Sub-Trust's Core Real Estate Allocations**

Documents provided to Board prior to meeting: Staff Memorandum; Meketa Investment Group's Core Real Estate Recommendation for the City and County RHCTF Sub-Trust

Kurt Braitberg, SFERS' Managing Director of Public Markets, introduced this item.

David Proctor, of Meketa Investment Group, presented a written and oral report on this item.

Commissioner Murphy asked if the multi-family component in TA includes apartments or affordable housing?

Mr. Proctor responded these will be high quality apartment buildings with no affordable housing.

Commissioner Petrucione asked how Meketa determined the dollar allocation between the two different strategies?

Mr. Proctor explained that a \$32 Million commitment needed to be made based off of the pacing model. Meketa felt that AEW was more established with a longer history so it made more sense to put more dollars into that fund at the onset with stronger income returns. TA is a newer fund so there is more of a risk. \$12 Million is a prudent amount.

Mika Malone, of Meketa Investment Group, clarified that for core open-ended real estate, the Board can continue to commit capital as the denominator value of their portfolio grows.

Commissioner Marx asked what the difference between 'performance fee' versus 'incentive' was and how often do these fees occur?

Mr. Proctor replied that the fee refers to the Morgan Stanley Fund. Performance fee is the same as incentive. They are the only fund with a performance fee in the index.

Commissioner Salem asked what the "2% Other" referred to in the AEW allocation.

Mr. Proctor explained he believed this referred to underdeveloped land that has not been classified yet.

Commissioner Salem asked if these two funds deal with single family homes and if not, how can we be reassured they will not do so in the future.

Mr. Proctor replied that the risk return profile is too high for their objectives of their strategies.

Mr. Braitberg clarified that these are open-ended funds so the Board can leave if they find that the two funds are veering from their strategies. This is the value of an open-ended fund.

Action: Moved by Commissioner Murphy and seconded by Commissioner Salem to approve Commitments of \$20 Million to AEW Core Property Trust and \$12 Million to TA Realty Core Property Trust to the City and County Sub-Trust's Core Real Estate Allocations

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

- 05172021-07 Action Item **Approve a Commitment of \$25 Million to HarbourVest XII for the City and County's Sub-Trust**

Documents provided to Board prior to the meeting: Staff Memorandum; Private Equity Fund of Funds Manager Recommendation from Meketa Investment Group

Kurt Braitberg, SFERS' Managing Director of Public Markets, introduced this item.

Mika Malone, of Meketa Investment Group, presented a written and oral report on this item.

Action: Moved by Commissioner Petrucione and seconded by Commissioner Murphy to approve a Commitment of \$25 Million to HarbourVest XII for the City and County's Sub-Trust

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

□ 05172021-08 Action Item **Approve Placement Agent Policy and Placement Agent Disclosure Form**

Documents provided to the Board prior to meeting: Staff Memorandum; Placement Agent Policy; Placement Agent Disclosure Form

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

Commissioner Murphy asked if the forms will be sent to all fund managers that the Board has already approved?

Tran Ly, City Attorney, explained that if the Board adopts the policy it will be up to the Board and staff if they want the managers to sign and comply with the policy. If the managers do not have a placement agent then it is a simple check of the box.

Ms. Bortnick confirmed that if the Board approves, staff will send the policy and disclosure to the existing managers.

Action: Moved by Commissioner Murphy and seconded by Commissioner Salem to approve Placement Agent Policy and Placement Agent Disclosure Form

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

□ 05172021-09 Discussion Item **Trust Administrator Report**

Documents provided to the Board prior to meeting: Staff Memorandum

Caryn Bortnick, SFERS' Deputy Executive Director, presented this item. She noted that the Trust has not received CCD employee contributions yet. CCD expects to transfer accumulated employee contributions from December to June 30, 2021 at the end of the fiscal year. This amount will likely be a little less than half of \$1 Million.

Ms. Bortnick explained each year the Board budgets \$70,000 in the event of a Board election, but the Mayor's office has cut that amount from the RHCTF budget. However, for any reason the Board needs to have an election, the Mayor's office will issue a supplemental amount.

Ms. Bortnick informed the Board that the previous budget of \$100,000 for City Attorney fees is under budget. A third of the fees were incurred due to the CCD request for disbursement. Staff has revised the budget to \$200,000 for the remaining fiscal year 2020 to 2021.

Commissioner Murphy asked if the cost will be allocated to the CCD Sub-Trust?

Ms. Bortnick confirmed that these fees would be allocated to the CCD Sub-Trust.

Commissioner Murphy asked how will the Board allocate the budget costs across the different sub-trusts?

Ms. Bortnick replied that staff have discussed this at length. It will be up to the staff to allocate appropriately. In the event that both are making the same investment, then it will be allocated by percentage.

Action: This was a discussion item only.

□ 05172021-10 Discussion Item **Board Educational Opportunities**

Documents provided to Board prior to meeting: List of Educational and Training Opportunities from Cortex Applied Research

The Board noted that they have not received anything from International Foundation of Employee Benefit Plans.

Ms. Bortnick said that staff will contact IFEBP

Action: This was a discussion item only.

□ 05172021-11 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 2:42 PM

Next regularly scheduled meeting is Monday, August 16, 2021