



Retiree Health Care Trust Fund Board

SPECIAL BOARD MEETING MINUTES

Tuesday, September 29, 2020

12:30 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 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.

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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 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.

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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.

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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: 12:30 PM**
 - David Salem - Present
 - Katharine Petrucione - Present
 - Pauline Marx - Present
 - Clare Murphy - Present
 - Ed Walsh - Present

- 09292020-02 **General Public Comment**

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

- 09292020-03 Discussion Item **Legal Briefing on Board Roles and Responsibilities toward Participating Employers**

Documents provided to Board prior to meeting: None

Robert Bryan, Deputy City Attorney, introduced this item, and explained Charter Section AA.432. The RHCTF Board has the right to approve disbursement limitations submitted by Participating Employers that have been approved by a two-thirds vote of their governing Board. When considering proposed limitations, the Board should consider the opinions of the Participating Employer's GASB Actuary. The Board should have an independent Actuary evaluate whether the Participating Employer's GASB Actuary has met the balancing test provided in the Charter and make that evaluation part of the public record.

Mr. Bryan informed the Board their responsibilities are to the City and other participating employers. They are the beneficiaries of the Trust.

Commissioner Murphy observed the Retiree Health Care Trust Fund is set up to pay for health care costs for the employees. The discussion seems to ignore who the RHCTF is to provide for.

Mr. Bryan stated that per the Charter, the Trust very clearly identifies the Employers as the participants. The Trust provides funds to the Employers to defray the medical expenses of their retirees. As fiduciaries, the Board's beneficiaries are the Employers.

Commissioner Marx asked if there was a proposal before the Board.

Ms. Bortnick responded there is no current proposal, but the Board anticipates receiving a proposal from the College District Trustees. There may be a meeting next week where this will be discussed and if passed, by two thirds vote, the Board will need to meet again based on availability.

Commissioner Marx asked if it is possible for participants to borrow from the Trust.

Mr. Bryan responded that the Trust is not setup for borrowing. It is setup for disbursement of funds.

Commissioner Salem wished to clarify that their responsibility as trustees or fiduciaries is to contemplate the GASB ramification of a disbursement request.

Mr. Bryan confirmed. The Board's job is to evaluate whether, when considering disbursement limitations, the GASB Actuary has effectively balanced an Employer's desire to reach full funding with any need for disbursement of funds and to evaluate the GASB process. The only basis to withhold consent is if the Board disagrees with the GASB analysis.

Commissioner Walsh asked whether limitations can be decline based on the number of years

it would take to be fully funded as shown by the GASB Actuary.

Mr. Bryan replied that the Charter does not state when a sub-trust should be fully funded. But when evaluating any disbursement limitation proposal including the balancing of interests, the Board must determine what is a reasonable time limit to become fully funded.

Commissioner Murphy observed that the general financial documents for any employer require they acknowledge the debt accumulating and due for retirees under GASB. Would the Board be held responsible for any consequences as trustees since the Board is not aware of what an Employer files.

Mr. Bryan agreed to report back after conferring with the Board's GASB expert.

Commissioner Murphy commented her question seemed to be a tax question rather than GASB.

Commissioner Petrucione asked about the criteria for determining "balance" based on the GASB analysis.

Mr. Bryan responded that the Board will need the advice of experts who evaluate these concerns.

Ms. Bortnick clarified that the City Attorney's suggestion is that the Board will need a GASB expert who would assist the Board in evaluating the GASB report the Board would receive from a participating Employer. This expert will help provide criteria for the balancing requirement.

Commissioner Petrucione observed this seems to be a public policy question.

Commissioner Murphy agreed with Commissioner Petrucione. She is also concerned about the investment implication of a removal of assets from a participant. The Board needs legislation on guidance on where the Charter failed. The most serious question seems to be that the Trust is not a checking account, which should have been addressed in the development of this Trust.

Commissioner Murphy stated that if a participant takes money out this will have an impact. On what basis can a participant request a distribution based on a funding program the Board has no knowledge of and how would the Board hold participants to not treating this Trust as a checking account? What are the legal provisions that allow other participants in the City and County to look at this as an opportunity to raid a fund, which this Board is purporting to the world, is there to meet these future obligations.

Mr. Bryan replied the Charter does allow for this. There is a distribution limitation process for the City. If qualifications are met there could be a disbursement.

Commissioner Petrucione stated that if a participant is going to make a request for distribution they need to be prepared to provide all information, such as financial documents, to the Board.

Commissioner Salem asked if or when an Employer makes a request, is there a time frame that the Board must respond by.

Ms. Bortnick responded there is nothing in the Charter that specifies a time limitation. However, SFERS is aware, should the Board receive a request from the participating Employers, there is some urgency. Given the depth of analysis the Board must undertake and our own actuary or expert, this will be difficult to have a quick turnaround.

- 09292020-04 Action Item **Approve the Minutes of the February 24, 2020 Special Board Meeting**

Documents provided to Board prior to meeting: February 24, 2020 Draft Minutes

Ms. Bortnick stated that Commissioner Walsh noted in advance that the February 24, 2020

Minutes contained Commissioner Marx's vote twice rather than Murphy on all action items. This has been corrected.

Action: Moved by Commissioner Marx and seconded by Commissioner Petrucione to approve the minutes, as corrected.

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

□ 09292020-05 Discussion Item **Review Investment Performance Q3 2020**

Documents provided to Board prior to meeting: Meketa Q3 Performance Report

Discussion Items 05 and 06 were combined.

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

Mika Malone and Paola Nealon, of Meketa Investment Group, presented a written and oral report on this item and item 06.

Action: This was a discussion item only.

□ 09292020-06 Discussion Item **Review Investment Performance Q4 2020 & July 2020**

Documents provided to Board prior to meeting: Meketa Q4 Performance Report

Discussion Items 05 and 06 were combined.

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

Mika Malone and Paola Nealon, of Meketa Investment Group, presented a written and oral report on this item and item 06.

Action: This was a discussion item only.

□ 09292020-07 Action Item **Approve Revised Investment Policy Statement**

Documents provided to Board prior to meeting: Redline and clean copies of proposed Investment Policy Statement

Kurt Braitberg, SFERS' Deputy Executive Director, introduced this item.

A written and oral report was presented on this item.

Action: Moved by Commissioner Murphy and seconded by Commissioner Petrucione to approve the Revised Investment Policy Statement

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

□ 09292020-08 Action Item **Approve Private Equity Investment Managers- Constitution Capital Partners, SVB Capital Strategic, HarbourVest Recommendations from Meketa Investment Group**

Documents provided to Board prior to meeting: Meketa Memorandum regarding Private Equity Investment Managers

Kurt Braitberg, SFERS' Deputy Executive Director, introduced this item.

Danny Chan, Meketa Investment Group, presented a written and oral report on this item.

Commissioner Marx asked about Meketa's process for finalizing choices to present to the Board.

Mr. Chan responded Meketa prefers funds that focus on one strategy and are exceptional at it. SVB primarily focuses on venture at the early and late stage. Constitution Capital invests in

purely middle market buyout space.

Action: Moved by Commissioner Murphy and seconded by Commissioner Salem to approve Private Equity Investment Managers- Constitution Capital Partners, SVB Capital Strategic and HarbourVest.

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

□ 09292020-09 Action Item **Approve Risk Mitigating Strategies Manager**

Documents provided to Board prior to meeting: Memo regarding Mitigating Strategies Manager

Kurt Braitberg, SFERS' Deputy Executive Director, introduced this item.

Colin Bebee. Meketa Investment Group, presented a written and oral report on this item.

Action: Moved by Commissioner Petrucione and seconded by Commissioner Marx to approve the Risk Mitigating Strategies Manager.

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

□ 09292020-10 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 on November 16, 2020 with a possible Special Board Meeting October 15, 2020.

Action: This item was a discussion item only.

□ 09292020-11 Discussion Item **Board Educational Opportunities**

Documents provided to Board prior to meeting: Public Retirement Conferences and Training Programs from Nossaman, LLP

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

Action: This was a discussion item only.

□ 09292020-12 Action Item **Annual Election of Board President**

Documents provided to Board prior to meeting: None

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

Commissioner Walsh nominated Commissioner Marx as Board President.

Action: Moved by Commissioner Salem and seconded by Commissioner Petrucione to approve Commissioner Marx as Board President

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

□ 09292020-13 Action Item **Annual Election of Board Vice President**

Documents provided to Board prior to meeting: None

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

Commissioner Salem nominated Commissioner Walsh as Board Vice President.

Action: Moved by Commissioner Salem and seconded by Commissioner Petrucione to approve Commissioner Walsh as Board Vice President

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

□ 09292020-12 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 Marx requested that staff go through previous minutes and find where there are items that are supposed to come back to the Board be fulfilled. She also requested standardized stationary for Board Material.

Action: This was a discussion item only.

□ **Adjourned at 4:26 PM**