



Retiree Health Care Trust Fund Board

BOARD MEETING MINUTES

Monday, November 16, 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

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.

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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: 1:30 PM**
Pauline Marx - Present
Clare Murphy - Present
Katharine Petrucione - Present
David Salem - Present
Ed Walsh – Not Present

- 11162020-02 **Communications**

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

- 11162020-03 Action Item **Approve the Minutes of September 29, 2020 Special Board Meeting**

Documents provided to Board prior to meeting: September 29, 2020 Draft Minutes
Action: Moved by Commissioner Murphy and seconded by Commissioner Salem to approve the Minutes.
Ayes: Marx, Murphy, Petrucione, Salem Nays: None

- 11162020-04 Discussion Item **Review Quarterly Performance as of September 30, 2020**

Documents provided to Board prior to meeting: Quarterly Review of September 30, 2020 from Meketa Investment Group
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.
Action: This was a discussion item only.

- 11162020-05 Action Item **Approve Resolution of San Francisco Community College District to Set Disbursement Limitations for the RHCTF Sub-Trust**

Documents provided to Board prior to meeting: Staff Memorandum; RHCTF Board-Resolution No. 2013-01; SFCCD Authorization to Transfer \$500,000 to RHCTF; SFCCD Funding Model for Eight Year Plan; Resolution of SFCCD to Set Disbursement Limitations for the RHCTF Sub-Trust; Letter to SFCCD from GASB Actuary; August 22, 2019 SFCCD Actuarial Study
Caryn Bortnick, SFERS’ Deputy Executive Director, presented a written and oral report on this item.
Commissioner Petrucione asked if SFCCD has clearly defined extraordinary circumstances and will SFCCD continue to make their contribution this year and in the future.
Ms. Bortnick responded SFCCD will not be making any Employer contribution for FY19-20 or FY20-21 on the basis they had made excess contributions in the past. Under the Charter, Employer contributions are mandatory. However, given there was no clarity or agreement when the Trust accepted the required contributions and excess money, SFERS recommends-

in this instance only- the Board make an exception regarding required Employer contributions for FY19-20 and FY20-21 and agree they have been prepaid through prior excess contributions. SFERS also recommends negotiating an MOU with the SFCCD that specifically outlines requirements for Employer and Employee contributions, and that any future additional Employer payments are for the sole purpose of accelerating the funding of the sub-Trust. Employee contributions will still be made.

Commissioner Murphy asked why the Board would consider FY 19-20 as part of the disbursement when it has been paid for and passed.

Dianna Gonzales, Deputy Vice Chancellor of San Francisco City College District, responded that the SFCCD understands the disbursed funds must be used for retiree health costs, estimated for both fiscal years to be \$21 Million. In regards to paying for the FY19-20 although it has passed, SFCCD started this process before the end of the fiscal year, but it has taken this long to complete. SFCCD paid for those costs from self insurance funds. Should SFCCD not need the full requested amount of \$21 million, then those funds will be returned to the Trust.

Commissioner Marx commented that the Trust has an asset mix. It seems inappropriate to have the College District participate in those investments. She would like to formally request to separate investment policies.

Ms. Bortnick noted the Board will discuss that next meeting.

Action: Moved by Commissioner Petrucione and seconded by Commissioner Salem to approve Resolution of San Francisco Community College District to Set Disbursement Limitations for the RHCTF Sub-Trust.

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

- 11162020-06 Action Item **Resolution Declaring an Extraordinary Financial Circumstance and Recommendation to Disburse \$21 Million from the Sub-Trust to pay for the SFCCD Retiree Medical Benefits in FY 2019-2020 and FY 2020-2021**

Documents provided to Board prior to meeting: Staff Memorandum; Resolution Declaring an Extraordinary Financial Circumstance; 2.2- RHCTF Board Fiduciary Policy

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

Commissioner Petrucione asked how long it will take SFCCD to reach full funding with this withdrawal.

Ms. Bortnick responded that the SFCCD actuary estimated twenty-six years based on current allocations. The Board will discuss at the next meeting how this money will be invested differently. Given that SFERS staff does not know the asset mix, the Board can assume it will take longer than the twenty-six years that was stated in the actuary's letter.

Dianna Gonzales, SFCCD Deputy Vice Chancellor, stated that SFCCD has the invoices ready to submit to the Trust should the Board approve the disbursement, which will ensure that the funds are being appropriately used and explain the reason for the amounts requested.

Commissioner Marx asked if disbursement of the two amounts separately over time eases the liquidity issue.

Kurt Braitberg, SFERS' Managing Director of Public Markets, clarified the questions raised: Can the Trust raise approximately \$11 Million by the end of the month and going forward how does the Trust prefer to disburse the funds?

Mr. Braitberg explained that it would be less disruptive for the portfolio if the Trust were to be able to do fewer disbursements. The preferred method would be to disburse at the end of the fiscal year. In regards to the \$11 Million needed at the end of the month, Mr. Braitberg stated that it could be possible, but asked what are the alternatives or consequences if the Trust could not raise the amount needed since they have made commitments to far less liquid investments.

Ms. Gonzales responded SFCCD would have to use categorical funds and repay those funds as soon as possible.

Ms. Bortnick amended the motion to Approval to Disburse to San Francisco Community College District an Amount not to Exceed \$21 Million Upon Receipt of Necessary Supporting Documentation on a Schedule Agreed to by SFERS Staff with the Least Amount of Disruption to Investments to the Trust Fund.

Action: Moved by Commissioner Murphy and seconded by Commissioner Petrucione to approve Disbursement to San Francisco Community College District an Amount not to Exceed \$21 Million Upon Receipt of Necessary Supporting Documentation on a Schedule Agreed to by SFERS Staff with the Least Amount of Disruption to Investments to the Trust Fund.

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

□ 11162020-07 Discussion Item **Trust Administrator Report**

Documents provided to Board prior to the meeting: Cortex Report

Caryn Bortnick, SFERS' Deputy Executive Director, presented an oral report on this item.

Ms. Bortnick noted that the next scheduled meeting is February 15, 2021 which is a holiday. She will coordinate with SFERS staff and Meketa and provide the Board with a few other suggested dates.

Action: This was a discussion item only.

□ 11162020-08 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 Murphy requested the Board have a discussion of the Board's fiduciary policy, City and County of San Francisco's disbursement policy, and have SFERS staff answer if the Trust can administer the investments separately for the Sub-Trust.

Action: This was a discussion item only.

□ **Adjourned at 3:52 PM**