



Retiree Health Care Trust Fund Board

BOARD MEETING MINUTES

Monday, May 23, 2022

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

David Salem

Members

Clare Murphy

Katharine Petrucione

Edward 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.

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.

Commissioner Salem commented that in regards to rate sensitive fixed income investments, SFERS staff recommended and reduced the Trust's allocation to long term government bonds and increased the allocation to short-term TIPS .. Commissioner Salem asked what the process would be going forward and how does the Trust go back into long-term government bonds.

Mr. Braitberg replied that this move is infrequent and a tactical decision. There are a couple of things to look for, which include when do year-over-year inflation expectations begin to fall. Also to consider, the Fed is playing a delicate game of trying to raise rates at a time when growth is slowing. The second catalyst is if year-over-year inflation measures start to fall and the Fed will stop raising rates, then that would be the catalyst for putting the Trust back to policy targets.

Commissioner Salem asked how the Trust's portfolio has been holding up in the last two months since March 31, 2022.

Mr. Braitberg reported that it is more of the same in a negative way. The negative trends were magnified in April 2022 and May 2022 continues to be volatile.

Action: This was a discussion item only.

□ 05232022-05 Discussion Item **Small Cap Core Equity Search Update**

Documents provided to the Board prior to meeting: Staff Memorandum; Meketa Investment Group Domestic Equity Small Cap Core Manager Evaluation

Mr. Braitberg introduced this item.

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

Commissioner Petrucione asked how Meketa and staff evaluate and compare fund managers for SF RHCTF.

Ms. Malone responded that there is as much art and science in hiring managers, as well as personal subjective analysis of whether these managers are likely to hold up and produce strong results in the future. The Meketa team sits down with these managers and talk about their portfolios. Meketa will use these types of charts to ask good questions, such as, "Why did we see your tracking error increase over the last few years?"

Mr. Braitberg concurred with Ms. Malone saying that one does not want to be too prescriptive, but rather look at it as a mosaic of quantitative screens and qualitative observations.

Action: This was a discussion item only.

□ 05232021-06 Discussion Item **Trust Administrator Report**

Documents provided to the Board prior to meeting: Staff Memorandum; Cortex Report

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

Ms. Bortnick reported that City College District continues to provide SF RHCTF with employee contributions. At the start of FY 22-23, staff will reach out to CCD to ascertain when they plan to reinstate sending employer contributions.

Commissioner Murphy asked at what point are the Trustees of this entity obligated to hold CCD accountable because they are not in compliance with the governing structure created by the Trust.

Ms. Bortnick replied that hopefully the Board will not have to address that because CCD will resume its employer contributions. However, if not, the Board will have to enlist the help of it's City Attorney to figure out the remedy.

Commissioner Murphy requested to see the previous charter or opinion from the City Attorney explaining that the Board's only concern is the investments of the contributions.

Commissioner Marx suggested that staff communicate with CCD sooner rather than the end of FY 21-22 so that CCD understand the Trust's parameters and expectations.

Action: This was a discussion item only.

□ 05232021-09 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 asked for an update on staffing changes,

Ms. Bortnick reported that Jay Huish, Executive Director, will be retiring soon. The Board changed the position from executive director to a combined CEO and CIO position. They have hired Alison Romano,

Mr. Huish reported that the restructure also included a Chief Operating Officer, which Caryn Bortnick has filled.

Action: This was a discussion item only.

Adjourned at 2:34 PM

Next regularly scheduled meeting is Monday, August 15, 2022