



# Retiree Health Care Trust Fund Board

---

## **SPECIAL BOARD MEETING MINUTES**

**Monday, February 13, 2023**

**1:00PM**

City and County of San Francisco  
SFERS Office – 1145 Market Street, 6<sup>th</sup> Floor Conference Room  
San Francisco, CA 94103

### **RETIREE HEALTH CARE TRUST FUND BOARD MEMBERS**

*President*

**David C. Salem**

*Vice President*

**Katharine Petrucione**

*Members*

**Pauline Marx**

**Clare Murphy**

*Trust Administrator*

**Alison Romano**

### **Disability Access**

The meeting will be held at the SFERS Office, 1145 Market Street, 6<sup>th</sup> 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 Steve Worsfold, Board Secretary, at (415) 487-7506 or by email at [steve.worsfold@sfgov.org](mailto:steve.worsfold@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 8<sup>th</sup> 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 Steve Worsfold, Board Secretary, for further assistance at (415) 487-7506 or email at [stephen.worsfold@sfgov.org](mailto:stephen.worsfold@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](mailto: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, 5<sup>th</sup> Floor, San Francisco, CA 94103; telephone (415) 487-7506; or send an email with your request to [steve.worsfold@sfgov.org](mailto:steve.worsfold@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 Steve Worsfold, 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](http://www.sfgov.org/ethics).

## CALENDAR

□ **Roll Call**      **Call to Order 1:05 PM**

Pauline Marx - Present  
Clare Murphy - Present  
Katherine Petrucione - Present  
David Salem – Present

□ 02132023-02                      **Communications & General Public Comment**

Acting Board Secretary, Stephen Worsfold, reviewed public comment procedures for both in person and teleconference.

There was no public comment.

□ 02132023-03      Action Item                      **Approve the Minutes of the November 21, 2022 Board Meeting**

Documents provided to Board prior to meeting: Minutes of the November 21, 2022 Meeting

**Action:** Moved by Commissioner Murphy and seconded by Commissioner Marx to approve the Minutes of the November 21, 2022 Board Meeting.

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

□ 02132023-04      Action Item                      **Approve the Minutes of the January 30, 2023 Special Board Meeting**

Documents provided to Board prior to meeting: Minutes of the January 30, 2023 Meeting or take other action on the minutes

President Salem proposed an amendment to the minutes. Item number 4 the Initial Review of Proposed Budget FY 2023-2024 and FY 2024-2025 should show \$70,000 set aside for an election if needed, not \$7,000. Ms. Bortnick acknowledged the correction and said she would provide the amended Minutes at the next Board meeting.

**Action:** Moved by Commissioner Petrucione and seconded by Commissioner Murphy to approve the Minutes of the January 30, 2023 Board Meeting with the amendment proposed by President Salem.

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

□ 02132023-05      Discussion Item                      **Quarterly Review of Retiree Health Care Trust Fund Performance as of December 31, 2022**

Documents provided to Board prior to meeting: Staff Memorandum; Quarterly Review as of December 31, 2022 from Meketa Investment Group

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

Mika Malone, of Meketa Investment Group made an opening remark.

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

Commissioner Salem asked about the departure of co-portfolio manager (co-PM) James Anders from GQG Partners. Ms. Nealon said this wasn't an immediate cause for concern, but that they would continue to monitor the situation.

**Proposed Action:** This is a discussion item only.

□ 02132023-06 Action Item **Approve Revised Asset Allocation Policy for the City and County's Sub-Trust**

Documents provided to Board prior to meeting: Staff Memorandum; Updated Allocation Review from Meketa Investment Group

Mr. Braitberg introduced this item. Mika Malone, of Meketa investment Group, presented a written and oral report on this item.

Commissioner Marx noted that the prior year's capital market expectations had a larger gap between the current and recommended policy and asked if the motivation is still present to make a change in allocations. Ms. Malone responded that Meketa would recommend this allocation even if returns were slightly lower, and the Trust can take on more illiquidity in the near term to benefit the long-term outlook. Mr. Braitberg commented that this allocation mix also performs better in periods of volatility.

Commissioner Salem asked about the lack of long-term bonds in the recommended allocation. Ms. Malone responded that the plan was in a better position to take on assets that offer lower liquidity but higher expected returns. Mr. Braitberg noted that the portfolio will continue to hold bonds, but that they will be high yield.

Commissioner Salem asked about the effect of interest rates on the entire portfolio. Ms. Malone referred the Board to page 18 of the report that models the effect of different rate changes on the overall portfolio given the allocation recommendations.

Commissioner Salem expressed concern over private credit holdings that might be predatory to individual consumers. Mr. Braitberg agreed that consumer lending can be predatory, and that the private credit strategy would be focused on corporate debt, and real estate debt, and that if a consumer debt strategy was presented to the Board, staff would address potential predatory practices.

Commissioner Murphy commented that the Board would still need to approve any strategies presented by Staff. Commissioner Petrucione asked if there were private credit strategies that did not include any consumer debt. Mr. Braitberg replied in the affirmative, and Ms. Malone responded that as fiduciaries of the plan Staff and consultants would present the best possible strategies, and the Board would decide which strategies to move forward.

**Action:** Moved by Commissioner Petrucione and seconded by Commissioner Murphy to approve "Alternative Policy B" as the Asset Allocation for the City and County Sub-Trust.

Ayes: Marx, Murphy, Petrucione, Salem

Nays: None

□ 02132023-07 Action Item **Approve Proposed Budget FY 2023-2024 and FY 2024-2025**

Documents provided to Board prior to meeting: Staff Memorandum; Proposed Budget FY 2023-24 and FY 2024-25

Caryn Bortnick, SFERS Chief Operating Officer, introduced this item.

Ms. Bortnick noted that after further investigation into the professional services budget, staff found a \$250,000 reduction in fees. Ms. Bortnick also noted the inclusion of \$500,000 in reserves that will be used only if needed.

**Action:** Motion made by Commissioner Marx and seconded by Commissioner Petrucione to approve Proposed Budget FY 2023-2024 and FY 2024-2025.

Ayes: Marx, Murphy, Petrucione, Salem

Nays: None

- 02132023-08 Discussion Item **Review RHCTF Financial Statements and Required Supplementary Information (Year Ended June 30, 2022)**

Documents provided to Board prior to meeting: Staff Memorandum; MGO Financial Statements and Required Supplementary Information (Year Ended June 30, 2022)

Caryn Bortnick, SFERS Chief Operating Officer, introduced this item.

Ms. Bortnick noted changes in format from last year's report that were made at the Board's request. Ms. Bortnick noted that the overall liabilities of the Trust were not included because the City and County of San Francisco reports overall liabilities in the annual financial report. Ms. Bortnick said that she would work with the Board to develop liability reporting for the Trust.

Commissioner Murphy asked for a clear definition of "the City" in the report.

Commissioner Petrucione asked what a report of the Trust's liabilities would look like. Ms. Bortnick responded that staff would wait for the year-end financial records from the City and County of San Francisco, and the College District to compile a new report for the Board. Ms. Bortnick estimated the report could be ready in June depending on the timeline from the other agencies.

Commissioner Murphy stressed the importance of a liability report to make more informed decisions as a Board.

**Proposed Action:** This is a discussion item only.

- 02132023-09 Action Item **Declare Retiree Health Care Trust Fund Board Vacancy for the Retired Elected Trustee Seat; Select the Department of Elections to Conduct the Election; and Approve Draft Election Schedule**

Documents provided to Board prior to meeting: Staff Memorandum, Draft Election Schedule, Election Notices, Administrative Code Sections 16.550-1554

Caryn Bortnick, SFERS Chief Operating Officer, introduced this item.

Commissioner Murphy asked if retirees were the only members allowed to vote in the elections.

Commissioner Petrucione asked how candidates are solicited. Ms. Bortnick responded that in

the past staff has contacted retiree organizations, labor organizations, and city departments to help find nominees.

Commissioner Petrucione asked about sending an email blast. Ms. Bortnick replied that it could be done but would delay the election timeline by at least two to three weeks.

Commissioner Petrucione stressed the importance of conducting outreach to solicit potential candidates. Ms. Bortnick suggested that the nomination period be pushed out one month to March 17, and the election dates to July 14, 2023, to July, 31 2023.

**Action:** Moved by Murphy and seconded by Commissioner Petrucione to declare a vacancy on the Retiree Health Care Trust Fund Board for the Retired Elected Trustee Seat, select the Department of Elections to conduct the election and approve revised draft election schedule subject to revision by the Department of Elections and Staff.

Ayes: Marx, Murphy, Petrucione, Salem

Nays: None

□ 02132023-10 Discussion Item **Trust Administrator Report**

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

Caryn Bortnick, SFERS Chief Operating Officer, introduced this item and noted that all meetings will be held in person with limited exceptions. Ms. Bortnick reminded the Board to return their Form 700's, to review the Cortex report for educational opportunities, and that the next scheduled meeting will be held on May 15, 2023.

**Proposed Action:** This item is a discussion item only.

□ 02132023-11 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.

Commissioner Marx thanked Staff for putting together the binders with all the relevant information.

**Proposed Action:** This is a discussion item only.

□ **Adjourned 2:35 PM**

Next regularly scheduled meeting is Monday, May 15, 2023