



Retiree Health Care Trust Fund Board

BOARD MEETING MINUTES

Monday, May 15, 2023

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

David 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, 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.

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: 1:05 PM**
Pauline Marx - Present
Clare Murphy - Present
Katharine Petrucione - Present
David Salem - Present

- 05152023-02 **Communications & General Public Comment**

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

No Public comment

- 05152023-03 Action Item **Approve the Minutes of the February 13, 2023 Board Meeting**

Documents provided to Board prior to meeting: Minutes of the February 13, 2023 Meeting
Commissioner Marx asked that amendments to the previous meeting's Minutes be clearly stated to reflect the change.

Ms. Bortnick agreed provide the updated February 13, 2023 Minutes at the next Board Meeting to reflect the amendment in item four of the January 30, 2023 Special Board Meeting.
Action: This item was continued to the next Board Meeting on August 28, 2023

- 05152023-04 Action Item **Approve Manager Recommendation to Implement the City and County's Sub-Trust's Private Infrastructure Allocation**

Documents provided to Board prior to meeting: Staff Memorandum, Meketa Investment Group Open-Ended Infrastructure Fund Recommendation

Kurt Braitberg, SFERS Managing Director – Public Markets and RHCTF CIO, introduced this item.
Lisa Bacon, Principal at Meketa Investments, gave a written and oral presentation.

Commissioner Marx asked what were the factors considered for recommending the hedged version of the fund?

Ms. Bacon responded the hedged vehicle title refers to currency hedging. A manager may or may not hedge interest rate in various investments. The hedge version is more popular because the infrastructure allows hedge against inflation and the US dollar.

Commissioner Petrucione asked Meketa to define the midstream and district heating sectors.

Ms. Bacon replied that the midstream sector includes gas pipe lines, energy in liquid and non-liquid storage facilities. Essentially, it refers to anything that moves energy around that does not have commodity price links and typically has contracted payments. District heating includes structures within a city or a university complex, for example, HVAC, heating, and often water, which are consolidated into a single utility. Universities or cities can contract that out to a third party to operate.

President Salem asked how Continental Europe differs from Western Europe (referring to page 12 of 45 of the Meketa report).

Ms. Bacon responded it differs by the managers' definition. Currently KKR is not in Poland, which one could debate is Western or Central Europe. Whereas, for example, JP Morgan and IFM have been more East than Germany. Continental Europe tends to exclude Scandinavian countries. KKR may have that Western European definition because they are in Finland.

President Salem asked if there are political risks associated with these types of investments.

Mr. Braitberg asked Ms. Bacon to explain the intersection of public and private capital and the risk of nationalization among some of these projects.

Ms. Bacon explained that the level of public involvement infrastructure services differs in the United States than other countries. Many other countries have privatized their public works, airports, toll roads long before the US. However, in core infrastructure we would not, for example, see a public entity sold to an infrastructure manager who would fire everyone and then proceed to hire non union members. In core infrastructure, managers are looking for long term concessions. Many of the public entities retain ownership even if they do not retain oversight of the operations and maintenance of employees.

President Salem asked if there was an issue that a third party is hedging and not the fund itself.

Ms. Bacon responded it is not an issue. JP Morgan is managing the cost. They are not setting up a hedging account specifically for SF RHCTF. They are hedging the whole fund.

Action: Moved by Commissioner Murphy and seconded by Commissioner Petrucione to Approve Manager Recommendation to Implement the City and County's Sub-Trust's Private Infrastructure Allocation

Ayes: Marx, Murphy, Petrucione, Salem

Nays: None

□ 05152023-05 Discussion Item **Quarterly Review of Retiree Health Care Trust Fund Performance as of March 31, 2023**

Documents provided to the Board prior to meeting: Staff Memorandum; Quarterly Review as of March 31, 2023 from Meketa Investment Group

Kurt Braitberg, SFERS Managing Director - Public Markets and RHCTF CIO, 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.

□ 05152023-06 Discussion Item **Review Private Market Investment Pacing Studies**

Documents provided to the Board prior to meeting: Staff Memorandum; Private Market Investments Pacing Studies 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 Petrucione asked SFERS staff how much the City Payroll contributes biweekly to RHCTF.

Mr. Braitberg responded that last month the Trust received approximately \$9 Million from the City and County. Approximately, \$6 Million came from Employees and \$3 Million came from Employer contributions.

Ms. Nealon confirmed that City's contribution averages \$7.5 - \$8 Million per month and about \$500,000 from the Community College District..

Action: This was a discussion item only.

- 05152023-07 Action Item **Approve Resolution Commending Edward F. Walsh, Jr. for His Service on the Retiree Health Care Trust Fund Board**

Documents provided to the Board prior to meeting: Retiree Health Care Trust Fund Board Resolution

Caryn Bortnick, SFERS Chief Operating Officer, introduced this item and presented the Resolution of Edward Walsh Jr.

Action: Moved by Commissioner Marx and seconded by Commissioner Murphy to approve Resolution Commending Edward F. Walsh Jr. for his service on the Retiree Health Care Trust Fund Board

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

- 05152023-08 Action Item **Approve Resolution Commending Clare M. Murphy for Her Service on the Retiree Health Care Trust Fund Board**

Documents provided to the Board prior to meeting: Retiree Health Care Trust Fund Board Resolution

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

President Salem presented the Resolution of Clare M. Murphy.

Commissioner Murphy recused herself from the vote.

Action: Moved by Commissioner Petrucione and seconded by Commissioner Marx to approve Resolution Commending Clare M. Murphy for her Service on the Retiree Health Care Trust Fund Board

Ayes: Marx, Petrucione, Salem Nays: None

- 05152023-09 Discussion Item **Trust Administrator Report**

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

Caryn Bortnick, SFERS Chief Operating Officer, introduced this item. She explained that an election was scheduled to be conducted for the open retired elected trustee seat. The nomination period ended last week. Only one person submitted a nomination form and the Health Services System confirmed there were sufficient nominees to validate the nomination. Since only one valid nomination form was submitted, the Department of Elections declared the individual will become the new retired elected trustee without the need for a formal election.

The new trustee will be Al Casciato and he will be attending the next RHCTF meeting.

Commissioner Marx asked if it was unusual not have an election.

Ms. Bortnick responded no. Staff made attempts to increase interest in the election. The Retiree Association was contacted to circulate the RHCTF opening. There was significant cost in doing a mass mailing to notify retirees of the Board election. Staff, opted to notify retirees by email. SFERS and Health Services do not have emails for every retiree.

Commissioner Marx asked what percentage of retirees does SFERS have emails addresses for.

Ms. Bortnick replied she would have to ask Health Services for that number because that is where the list comes from.

Action: This was a discussion item only.

□ 05152023-10 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.

President Salem reminded the Board that Mr. Braitberg/Meketa would discuss Real Estate Investments, specifically regarding the Office sector, at the next meeting.

Action: This was a discussion item only.

Adjourned at 2:50 PM

Next regularly scheduled meeting is Monday, August 28, 2022