Retiree Health Care Trust Fund Board

BOARD MEETING MINUTES

Monday, May 18, 2026

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
Paul Denning

Vice President
David Salem

Members
Al Casciato

Pauline Marx

Katharine Petrucione

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.
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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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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

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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**

Al Casciato – Not Present

Paul Denning – Present

Pauline Marx -- Present

Katharine Petrucione – Not Present

David Salem – Present

□ 05182026-02 **Communications & General Public Comment**

Board Secretary, Kelsey Lim, reviewed public comment procedures for both in person and teleconference.

No Public comment

□ 05182026-03 Action Item **Approve the Minutes of the March 16, 2026 Special Board Meeting**

Documents provided to Board prior to meeting: Minutes of the March 16, 2026 Special Board Meeting

Action: Moved by Commissioner Marx and seconded by Commissioner Salem to approve the Minutes of the March 16, 2026 Special Board Meeting.

Ayes: Denning, Marx, Salem Nays: None

□ 05182026-04 Discussion Item **Asset Allocation: Investment Objective, Actuarial Rate, and Asset Class Definitions**

Documents provided to Board prior to meeting: Staff Memorandum; Asset Allocation: Investment Objective, Actuarial Rate, and Asset Class Definitions

Alo Martins, SFERS Director, introduced this item.

Mika Malone, of Meketa Investment Group, presented a written and oral presentation.

Commissioner Denning asked if the actuary produces the interest rate assumption.

Alison Romano, Trust Administrator and SFERS CEO/CIO, responded that an actuary typically comments on the reasonableness of the actuarial rate of return. The actuarial rate of return is based on the Board's decision of the asset allocation. Meketa provides information on the expectations of those asset classes. This information is shared with the actuary who confirms if that is a reasonable assumption.

Ms. Malone added that Cheiron is the actuary.

Ms. Romano clarified the actuarial rate of return for RHCTF refers to the funded status and when the Trust will be fully funded. The RHCTF is a defined structure where contributions are set at one and two percent. However, the pension plan's actuarial rate of return impacts the funded status and also the level of contributions from the City.

Commissioner Denning inquired how the assumption rate is applied to asset allocation in terms of the investment risk the Board should consider.

Ms. Malone explained that now, all of the projections can be built around the seven percent assumed rate. The Board can see when the Plans are projected to get to a fully funded status. Once the portfolio gets to full funding, the thinking around rebalancing will shift, in particular the allocations to liquid and illiquid strategies. Right now, there are limited liquidity concerns to manage.

Commissioner Marx asked about the term risk budget and how that applies to the Trust.

Ms. Malone responded there is no risk budget in this plan. She mentioned the term in the context of the investment policy statement, under the investment objectives. Some plans delegate authority to staff to select asset managers or to control asset allocation to a higher degree. These plans will often use a risk budget usually in the context of tracking error. For example, in the Trust's public market portfolio, the Board may set a risk budget or an amount of latitude they feel comfortable with their staff or consultants taking, in terms of risk, with the portfolio.

Commissioner Denning asked about the differences between the 10-year and 20-year expected returns.

Ms. Malone explained that the 10-year expected return is heavily skewed towards current market valuations. For example, equity markets have performed well recently, meaning that returns from here may be challenged.

Commissioner Denning asked what will cause private equity returns to continue being strong despite the new money coming in.

Ms. Malone responded that Meketa has brought down their expectations for private equity a little bit given the uncertainty in the market. Software may have less potential for growth given AI, however other sectors might benefit as a result of AI advancements. There is still opportunity in private equity but it comes with the highest standard deviation of all the asset classes.

Commissioner Denning asked how Meketa evaluates managers and how their process has evolved.

Ms. Malone responded Meketa is unlikely to change managers due to organizational issues or because of underperformance in the last six months or even the last year. However, if a lead portfolio manager says they are retiring in six months, that raises a flag. Meketa will want to investigate the manager's team and what the next generation will look like afterwards. In most cases, Meketa knows them already through years of interaction and there is an understanding of the work that is expected. Meketa is also now using more quantitative methods to evaluate their managers.

Commissioner Denning asked how Meketa thinks about investing in cryptocurrency and nuclear energy.

Ms. Malone responded that Meketa has started modelling crypto/digital currencies as part of their capital market assumptions. Crypto investments have had a lot of volatility and Meketa believes the volatility will continue. The models like this type of risk because it is diversifying. They have seen investments like these show up in private equity portfolios. Nuclear investments would fall into their energy and infrastructure investments.

Commissioner Salem asked for clarification on the money the Trust has invested in Risk Mitigating Strategies (RMS) and whether it is currently distributed in all three responder categories or if all the money is in one category and then moves onto the next phase.

Ms. Malone answered the Trust has exposure over time. Currently, the Trust has fifty percent in the diversifier bucket, thirty percent in the first responders, and twenty percent in the second responders.

Commissioner Salem questioned how the RMS Benchmark applies or is helpful to the Board.

Ms. Romano offered an analogy to help explain RMS. She suggested thinking of RMS like insurance. The Board will have to decide if they want the insurance or consider if they are paying too much for the insurance. If they are paying too much, should they reduce insurance or increase their deductible? If the Board chooses to increase the deductible, they are saying they want more diversifying strategies. If they choose less insurance, then they want to have five percent, instead of ten percent. These are the decision points.

Action: This was a discussion item only.

□ 05182026-05 Discussion Item **Quarterly Review of the Retiree Health Care Trust Fund Performance as of March 31, 2026**

Documents provided to Board prior to meeting: Staff Memorandum; Meketa Q1 Performance Report

Mr. Martins introduced this item.

Paola Nealon, of Meketa Investment Group, presented a written and oral presentation.

Commissioner Salem asked if the Community College District (CCD) has been consistent and up to date with its payments to the Trust.

Mr. Martins said he would check and get back to the Board.

Action: This was a discussion item only.

□ 05182026-06 Discussion Item **Trust Administrator Report**

Documents provided to the Board prior to meeting: Staff Memorandum

Alison Romano, Trust Administrator and SFERS CEO/CIO, presented an oral presentation on this item.

Action: This was a discussion item only.

□ 05182026-07 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.

Action: This was a discussion item only.

Adjourned at 3:30 PM

Next scheduled meeting is Monday, August 31, 2026 at 1:30pm