



# Retiree Health Care Trust Fund Board

## BOARD MEETING MINUTES

Monday, November 21, 2022

1:00 p.m.

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 Salem**

*Vice President*

**Katharine Petrucione**

*Members*

**Pauline Marx**

**Clare Murphy**

**Edward Walsh**

*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 Kelsey Lim, Board Secretary, at (415) 487-7507 or by email at [kelsey.lim@sfgov.org](mailto: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 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 8<sup>th</sup> 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](mailto: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](mailto: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, 5<sup>th</sup> Floor, San Francisco, CA 94103; telephone (415) 487-7507; or send an email with your request to [kelsey.lim@sfgov.org](mailto: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, 5<sup>th</sup> 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](http://www.sfgov.org/ethics).



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

Commissioner Marx noted that Alphabet shows up twice in the Top Ten Equity Holdings and asked if they are different assets.

Jason Campbell, of Meketa Investment Group, confirmed they are different assets.

Commissioner Petrucione commented that this has been a real time lesson in the benefits of diversification. She asked at what point will the Trust be able to make different choices in the City College District (CCD) Sub-Trust in order to maximize the returns.

Mr. Braitberg replied once there is greater certainty about CCD's liquidity needs, the CCD sub-Trust can go back to private market strategies. For example, FRM, the risk mitigating strategy, affords the Trust a bi-monthly liquidity which is not as illiquid as private equity or real estate.

Commissioner Murphy commented that CCD has covered some losses with their contributions. She asked if the six million is an expected amount or are they contributing more than the required contributions.

Ms. Bortnick responded that CCD is contributing both Employee and Employer contributions on a regular basis. They are contributing more than what is legally required, but the Trust has no guarantee that will continue or be an expected amount.

Mr. Braitberg updated the Board concerning moving the Trust's Small Allocation away from an Index to Wellington 2000 Fund that was approved at the Board's last meeting in August. He mentioned that staff have not completed that move yet, since they just finished side letters and legal negotiations last week. The next step is to meet with Meketa next week to work on the transition from the Russel 2000 Index Fund to the Wellington 2000.

**Action:** This was a discussion item only.

- 11212022-06 Action Item **Review and Approve a Revised Asset Allocation Policy for the San Francisco City and County's Sub-Trust**

Documents provided to the Board prior to meeting: Staff Memorandum; Meketa Asset Allocation Review

Mr. Braiberg introduced this item.

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

Commissioner Salem shared concerns with investing money in credit card companies who apply heavy fees on consumers.

Mr. Braitberg agreed that the consumer finance area has a history of predatory practices which is a risk that Staff does not want to bear either. He explained that often these strategies are buying receivables from credit card and auto loan companies at a discount. Mr. Braitberg explained that specialty finance strategies they present have to meet certain standards which include no predatory practices. The Board has the right not to approve the recommended strategy.

Commissioner Marx asked how the recent purchase of Twitter fits into this strategy since it was a private credit transaction.

Mr. Braitberg responded that Twitter was taken private when Elon Musk bought it. Musk had to borrow capital. That lending was done by banks, who in turn tried to sell it, which is called syndicating, but they were not successful. The banks had to sell the Twitter debt to others, which could be in the Trust's investment with Golden Tree who typically buys assets like that at a discount as part of their strategy.

Mr. Braitberg further explained that if private companies had loaned to Elon Musk, then that would be a form of private credit, but in this case, it was commercial banks and investment banks. So although the transaction of private lending was similar, it was not actually private credit.

Commissioner Petrucione brought attention to the variety of potential benefits listed on page thirteen of the Asset Allocation Review and asked what risks could be identified.

Ms. Malone responded that the largest risks within private credit are similar to risks in private equity, which include locking up capital into a pool where there is not complete transparency. For instance, in two years into the investment cycle the Trust saw the lending that has occurred looks to be less favorable, the Trust does not have the option to reallocate those assets to a more favorable area of the portfolio.

Commissioner Marx commented that she feels comfortable with the concepts around infrastructure in private credit, but not confident in the proposed targets presented by Staff.

Commissioner Salem asked if no change in policy was a possibility.

Mr. Braitberg replied that option is not the Staff's recommendation to the Board, but the requirement is to evaluate the Asset Allocation every three years. It is up to the Board to determine the outcome of that evaluation.

Commissioner Marx asked for an explanation on the Pacing Model on page forty-six.

Ms. Malone said this pacing study shows that if the Board chooses to increase their target private equity from 5% to 10%, the model helps one see how one can get to that 10% target goal.

The Board agreed to digest the information presented and to continue the discussion at the next Board meeting.

**Action:** No motion or vote was made.

□ 11212022-07 Discussion Item **Education on Incorporating Climate Change Impacts into Overall Portfolio Strategy**

Documents provided to the Board prior to meeting: Staff Memorandum; Meketa Climate Scenario Educational Materials

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

Sarah Bernstein, of Meketa Investment Group, presented a written and oral presentation.

Commissioner Murphy asked if private equity, credit, and infrastructure managers are participating in these climate change discussions, and if so, how are they building criteria into their structure.

Mr. Braitberg said private credit managers and real asset managers are considering these types of scenarios in their own work. On the private equity side, particularly Venture Capital, they are interested in the technologies that are going to support this transition to a low carbon economy.

Action: This was a discussion item only.

□ 11212022-08 Discussion Item **Trust Administrator Report**

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

Caryn Bortnick, Chief Operating Officer, introduced this item.

The Board will have a Special Board Meeting on January 30, 2023 to discuss the proposed budget.

The regular RHCTF Board Meeting will be February 13, 2023.

Action: This was a discussion item only.

- 11212022-09 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 said she met with Craig Harner, of MGO, to discuss the audit. She mentioned that the information was lumped together and the Board would like to see it separated for better understanding. Commissioner Marx noted to MGO that the Employer Contributions and cost of health care are distorting the Trust's financial statements. Mr. Harner will send preliminary statements so the Trust can review and discuss format.

Action: This was a discussion item only.

#### **Adjourned at 3:45 PM**

Next scheduled meeting is a Special RHCTF Board Meeting on Monday, January 30, 2023.

Next regularly scheduled RHCTF Board Meeting is on Monday, February 13, 2023.