

[ADD ON PROPER LETTER HEAD – FORMAL FONT TO BE CONSISTENT]

**SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND (RHCTF)  
2.2 - RHCTF BOARD FIDUCIARY POLICY**

**Background and Purpose**

1. The San Francisco Retiree Health Care Trust Fund Board (Board) is the governing fiduciary for the Retiree Health Care Trust Fund (RHCTF or Fund). As such, the Board is charged with governing the RHCTF. Charter Ssections 12.204 and (A8.432) of the City Charter.

**Policy Objectives**

2. The objective of this policy is to ensure that all Board members understand their fiduciary duties.

**Governing Law**

3. The Board is established under Article XII of the Charter of the City and County of San Francisco (the City Charter). Charter Ssection 12.204 (A8.432) of the City Charter provides in relevant part that:

The Retiree Health Care Trust Fund ("RHCTF") shall be an irrevocable trust fund established under Section A8.432. and separate from the Health Service System trust fund described in Charter Section 1.203 and A8.428, to provide a funding source to defray the cost of the City's, and other Participating Employers', obligations to pay for health coverage for retired persons and their survivors entitled to health coverage under Section A8.428. Trust assets shall be held for the sole and exclusive purpose of providing health coverage to eligible retired persons and their survivors, and to defray the reasonable expenses of administering the RHCTF, including but not limited to educational, actuarial, consulting, administrative support and accounting expenses associated with the RHCTF. Administrative costs, including but not limited to educational, actuarial and consulting expenses associated with the Retiree Health Care Trust Fund, as adopted by the board of supervisors in the annual budget, shall be paid from the Retiree Health Care Trust Fund, but only upon adoption of a resolution by the Retiree Health Trust Fund Board approving such expenses.

4. Charter Sections A8.409-7 and A8.590-8 provide that the provisions and operation of the RHCTF shall be determined pursuant to Charter Ssections 12.204 and, A8.432, and A8.433.

15 July 29, 2014

Adopted by the RHCTF Board on September

## Fiduciary Duties

5. ~~Overall, as~~ a fiduciary, the Board must exercise the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. In addition, the Board must act in accordance with the terms of the RHCTF. The Trust Agreement adopted on August 30, 2010 by the Board, describes the Board's specific fiduciary duties and limitations.
6. The Board must always be aware that the ~~Fund~~RHCTF was created for the sole and exclusive purpose of providing a funding source to defray the cost of the City's, and other Participating Employers', obligations to pay for health coverage for retired persons and their survivors entitled to health coverage under Charter section A8.428 ~~funding health and welfare benefits for retirees, their eligible spouses or registered domestic partners and their dependents under the Plan.~~ No portion of the RHCTF may be used for or diverted to any other purpose other than ~~meeting the employers' obligations to provide health and welfare benefits, as well as the~~ payment of reasonable expenses of the Trust. No portion of the principal or income of the RHCTF may revert to an employer except in the very limited circumstances consistent with the irrevocability of contributions under the Internal Revenue Code and GASB 43 or GASB 45.
7. Administrative costs, including but not limited to educational, actuarial, legal, investment and consulting expenses associated with the RHCTF, may be paid from the RHCTF, but only upon adoption of a resolution by the Board approving such expenses, or as otherwise provided for in Board policies.
8. Trust assets may not be used to satisfy the claims of any creditor of any employer.
9. No part of the RHCTF's net earnings may inure to the benefit of a private person. Private parties may not participate in, or benefit from, the operation of the RHCTF.
10. The Board has the exclusive authority and control over the administration and management of the RHCTF, the investment of trust assets, and disbursements from the RHCTF, ~~pursuant under~~ Charter ~~S~~sections 12.204 and A8.432 and Trust Agreement Section 4.02.
11. The Board shall receive and accept for the purposes hereof all contributions described herein and shall hold, invest, reinvest, manage, administer, and distribute property and the increments, proceeds, earnings, and income solely to provide a funding source to defray the cost of the City's, and other Participating Employers', obligations to pay for health coverage for retired persons and their survivors entitled to health coverage under Charter section A8.428 ~~meet OPEB obligations and to fund health and welfare benefits under the~~ RHCTF.

## Powers and Duties

12. The Board has such power and authority, including discretion with respect to the exercise of that power and authority, as may be necessary, advisable, desirable, or convenient to the Board, in its sole discretion as a fiduciary, subject to the provisions of the RHCTF, and consistent with Charter ~~S~~sections 12.204 and A8.432, including the power and authority:
- (a) To make regulations with respect to the RHCTF not inconsistent with the RHCTF Trust Fund Agreement, GASB 43 or 45, Internal Revenue Code ~~S~~section 115, the City Charter, or other applicable law, and to amend or rescind such regulations;
  - (b) To determine, consistent with ~~the~~ applicable laws, rules or regulations, all questions of law or fact that may arise as to any person or entity claiming rights under the RHCTF;
  - (c) Subject to and consistent with GASB 43 and 45, Internal Revenue Code ~~S~~section 115, the City Charter and other applicable law, to construe and interpret the RHCTF Trust Fund Agreement, policies and decisions, and to correct any defect, supply any omission, or reconcile any inconsistency in the RHCTF Trust Fund Agreement, policy or decision;
  - (d) To provide for termination of trusteeship and transfer of assets to successor trustees as permitted by law;
  - (e) To employ legal counsel;
  - (f) To employ and contract with actuaries, auditors, accountants, investment advisers, investment brokers, consultants, ~~medical personnel~~, and other agents and employees;
  - (g) To collect and disburse all investment proceeds under the RHCTF;
  - (h) To provide for and promulgate all the rules, regulations, and forms that are deemed as necessary or desirable in fulfilling its trust purposes ~~of assisting in funding health and welfare benefits~~ and ~~in~~ maintaining proper records and accountings consistent with GASB Statement 43 and 45 and Internal Revenue Service standards;
  - (i) To bring and defend actions, sue and be sued, and plead and be impleaded;
  - (j) To expend funds for ~~the~~ reasonable expenses of the Board while engaged in the performance of their duties;

- (k) To employ insurance companies, banks, trust companies, and/or investment brokers as agents for the keeping of records and the receipt and disbursement of funds held by or due the Board;
- (l) To adopt and amend investment policies, guidelines, restrictions, and requirements;
- (m) Except as otherwise provided by regulation, or as delegated to the custodian or an investment manager, to have complete control of the management and investment of the RHCTF, and have all powers necessary or convenient to enable it to exercise such control;
- (n) To invest and reinvest funds held by the RHCTF in any investments which are legal investments under California law, and ~~have the discretion~~ to decide the allocation of funds among such investments. The Board shall also periodically review the portfolio to make sure the investments are diversified appropriately;
- (o) To purchase, acquire, hold, lease, sell, and convey real and personal property, and place funds held herein with banks or trust companies which have corporate trust powers, with insurance companies authorized to do business within the State of California, and do all such other acts permitted by law;
- (p) To exercise generally any of the powers of an owner with respect to all or any part of the RHCTF; and
- (q) To take all actions consistent with the RHCTF Trust Fund Agreement and Charter sections 12.204 and A8.432 necessary or appropriate to administer or carry out the purposes of the RHCTF; provided, however, the Board need not take any action unless, in its opinion, there are sufficient RHCTF assets available for the expense thereof.

**Delegation to Trust Fund Administrator**

- 13. The Board hereby delegates to the FundRHCTF Administrator (Administrator) the responsibility for accepting contributions to the FundRHCTF and remitting said contributions to the custodian.
- 14. The Administrator is also responsible for crediting the deposits to the appropriate sub-trust, if sub-trusts have been established. In all cases, deposits of contributions shall be treated as actually made only as of the date the funds are accepted as in good order by the Administrator.
- 15. The Administrator shall account for contributions, income, and payments made to or from the RHCTF.

### **Delegation to Others**

16. The Board may ~~from time to time~~ delegate to an individual, committee, or organization certain of its fiduciary responsibilities under the RHCTF. Any such individual, committee, or organization shall remain a fiduciary until such delegation is revoked by the Board, which revocation may be without cause and without advance notice. Such individual, committee, or organization shall have such power and authority with respect to such delegated fiduciary responsibilities as the Board has~~ve~~ under the RHCTF.

### **Limitations of Board Responsibility**

17. The Board has no duties other than those expressly set forth in the Trust Agreement of August 30, 2010, and those imposed on the Board by applicable laws.
18. The Board shall be under no duty to determine whether the amount of contributions paid to the RHCTF are adequate to meet the employers' obligations for health and welfare benefits, or to collect or enforce payment of any ~~Participating e~~Employers' contributions.
19. The Board shall be responsible only for money and property actually received by the RHCTF.
20. The Board shall have no responsibility or duty to define the specific design of the ~~Participating Employers'~~ health and welfare benefits, including but not limited to, selecting providers. Nor shall the Board be responsible for establishing, providing, administering or accounting for the health and welfare benefits.
21. The Board shall not be responsible for any particular Federal, state or local income, payroll or other tax consequence to an employer or a retiree, spouse, or dependent.
22. The Board shall not be responsible for the correctness of any determination of payments to, or disbursements from, the Trust Fund.
23. No Trustee shall have any liability for the acts or omissions of any predecessor or successor in office.
24. The Board shall have no liability for: (i) the acts or omissions of any investment manager or managers; (ii) the acts or omissions of any insurance company; (iii) the acts or omissions of any investment fund; (iv) the acts or omissions of any custodian; or (v) the acts or omissions of any contractor, vendor, actuary or other service provider.

### **Publication**

25. A copy of this policy will be made available ~~to the Mayor's office upon request, for the information of candidates seeking appointment to the Board.~~ Copies of this policy will also be ~~made available to candidates seeking election or appointment to the Board, for their information published on the RHCTF website at~~ **[INSERT WEB ADDRESS]**.

Comment [ER1]: Insert web address.

### **Policy Review**

26. The Board will review this policy at least every ~~three-two~~ **(32)** years to ensure that it remains relevant and appropriate.

### **Policy History**

~~The Board adopted this policy on July 29, 2013.~~