



Seattle City Employees' Retirement System

Board of Administration Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
(206) 386-1293

Minutes, Thursday, February 13, 2020

Board Members Present: Robert Harvey, Jr., Judith Blinder, Glen Lee, Sherri Crawford, Bobby Humes, Lou Walter

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Jill Johnson, Cecelia Chen, Nina Melencio

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Faride Cuevas (CM Mosqueda's Office)

Call to Order

Robert Harvey, Jr., Chair, called the meeting to order at 9:06 am.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the January 9, 2020 Retirement Board regular meeting.

Motion: Upon motion by Sherri Crawford, seconded by Glen Lee, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (4-0).

Jeff Davis welcomed Judith Blinder as the Board's newest member. Her appointment is through June 30, 2020. Elections will be held to fill the vacancy through the end of the term June 30, 2022.

(9:07 am – Bobby Humes arrived at the meeting.)

Investment Committee Report

Jason Malinowski recapped the Investment Committee that was held on January 30, 2020.

At the January 30, 2020 meeting, committee members discussed investment activities that occurred in 2019 and expected items in 2020.

(9:10 am – Lou Walter arrived at the meeting.)

The Investment Committee recommended the Board commit up to \$20 million to Stonepeak Infrastructure Fund IV LP, a North America non-core infrastructure strategy. This recommended commitment is consistent with the pacing plan for the Infrastructure asset class. NEPC concurred with the recommendation.

Motion: Upon motion by Glen Lee, seconded by Sherri Crawford, the Board of Administration accepted the Investment Committee's recommendation that the Board of Administration commit up to \$20 million to Stonepeak Infrastructure Fund IV, pending satisfactory legal review. The motion passed unanimously (5-0)

The Investment Committee also recommended a core real estate reallocation across SCERS's three core managers in the Real Estate asset class, moving from an outsized investment in the JP Morgan Strategic Property Fund to a more balanced investment between AEW, Heitman, and JP Morgan. The three core managers are complementary in property types and geography. NEPC concurred with this recommendation.

Motion: Upon motion by Bobby Humes, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation that the Board of Administration reallocate the core real estate portfolio, as detailed in the memo from staff. The motion passed unanimously (6-0).

2019 SCERS Progress Report

Staff presented SCERS 2019 Progress Report. The 2019 goals were based on the 5-year Strategic Plan goals which were adopted in 2019.

2019 Adopted Goals:

1. The fund is managed to achieve and maintain a strong and sustainable financial position.
2. Members receive best in class service.
3. SCERS attracts and supports the development of high-performing employees to be part of a positive working environment.
4. The SCERS Board is high-performing and well-informed in carrying out its oversight function and fiduciary duties.
5. Stakeholders have a clear understanding of SCERS benefits and services.

There was a discussion on the progress made toward each goal which included meeting the intermediate-term investment goal; completing the asset liability study with updated strategic asset allocation and investment policy; progress towards the positive action strategy regarding Environmental, Social, and Governance (ESG) issues; improvements on strengthening transparency, streamlining operations, and strengthening controls; went "live" with the new Pension Administration System; implemented new mortality tables; and conducted an employee satisfaction survey with 76% staff participation.

Executive Director Update

A trustee election will be held in May for the retired member seat and an active member seat. The candidacy period will open April 9, 2020 and close on April 23, 2020 with the election being held May 14-June 1, 2020.

Paige Alderete reviewed the 2019 spending and service overview. The 2019 budget was overspent by \$881,000 in investment management fees. 2019 was a good year for SCERS's investments and higher assets equates to higher fees.

Staff are working with the City's Budget Office to make investment fees non-appropriated. This is a spending commitment that is not in Management's discretion to pay or not pay. SCERS has no way to reliably estimate and budget annual fees since they are directly tied to market performance, which is volatile.

Mr. Lee agreed that investment fees are not relevant to appropriation authority. His staff would be happy to engage with staff in the Budget Office to see that investment fees not be appropriated.

Motion: Upon motion by Robert Harvey, Jr., seconded by Sherri Crawford, the Board of Administration accepted the amendments to the 2019 Seattle City Employees' Retirement system Budget for submission to the City Budget Office. The motion passed unanimously (6-0).

SCERS new board chair, Council Member Teresa Mosqueda, has requested a change to the meeting start time from 9:00 a.m. to 10:00 a.m.

Motion: Upon motion by Bobby Humes, seconded by Glen Lee, the Board of Administration approved changing the start time of the monthly Board of Administration Meetings from 9:00 a.m. to 10:00 a.m. effective March 12, 2020. The motion passed unanimously (6-0).

Adjourn Meeting

Motion: Upon motion by Bobby Humes, seconded by Glen Lee, the Board of Administration voted to adjourn the meeting at 10:15 a.m. The motion passed unanimously (6-0).