



Seattle City Employees' Retirement System

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

Minutes, Thursday, December 9, 2021

Board Members Present: Teresa Mosqueda, Chair, Robert Harvey, Jr., Lou Walter, Sherri Crawford, Judith Blinder, Glen Lee

SCERS Staff Present: Jeff Davis, Jason Malinowski, Leola Ross, Nina Melencio, Ronda Iriarte, Mengfei Cao

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Andrew Collins (San Francisco Employees' Retirement System), Mike Nagan (ARSCE), Joe Ebisa (With Intelligence), Lauren Albanese (FIN News), Tim Morrison (FAS), Chase Kitchen (MO)

Call to Order

Teresa Mosqueda, Chair, called the meeting to order at 10:00 am.

Public Comment

There was public comment from Mike Nagan, president of Association of Retired Seattle City Employees (ARSCE) wishing the board and staff happy holidays on behalf of ARSCE. Mr. Nagan thanked the staff for their work during the pandemic and thanked SCERS for providing virtual access to the meetings.

Administrative Consent Agenda

The following items represent normal expenses:	
Pension Payroll	\$21,816,239.44
Office Payroll	330,079.18
Admin & Investment Expenses	1,245,449.36
Total Expenses – November 2021	\$23,391,767.98

**includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – November 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	30	\$73,574.47	\$762,009.79
Withdrawals	8	n/a	\$693,940.60

Motion: Upon motion by Lou Walter, seconded by Sherri Crawford, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

ESG Quarterly Update

Dr. Leola Ross presented the Environmental, Social and Governance (ESG) update for Q4 2021 and provided a brief overview of the positive action strategy which includes shareholder advocacy, sustainability investments, and integrating climate risk into the investment process. The Board has identified climate change as an ESG priority for SCERS because of its criticality to the long-term risk and return of the capital markets. SCERS is an active member of five ESG-related investor organizations, having most recently added the Institutional Limited Partners Association (ILPA) that is focused on the private markets.

Shareholder advocacy activities are aimed at SCERS's investment managers, a limited set of high fossil fuel emitting companies, and government regulators. During the quarter, staff sent a letter to ISS with recommendations to improve its US Public Funds Proxy Guidelines related to climate change. Staff participated in Climate Action 100+ engagement meetings with Boeing and Weyerhaeuser. SCERS also supported the 2021 Global Investor Statement to Governments on the Climate Crisis that was sent in advance of COP26. Dr. Ross shared high-level takeaways from COP26 with the Board.

Tiger Infrastructure Partners, a SCERS-invested manager, made a sustainability investment in an electric vehicle charging infrastructure company. Staff met with the Principles for Responsible Investment (PRI) and UN Environment Programme to discuss the Net-Zero Asset Owners Alliance. While SCERS is aligned with several of the Alliance's tracks, the meeting reinforced that signing on to it would impose restrictions that conflict with SCERS's mission and investment beliefs. Dr. Ross also expressed that the Alliance's focus on net zero investment portfolios is not the same as having a net zero real economy, which is far more critical.

Dr. Ross shared preliminary ideas to enhance the ESG positive action strategy, which staff plans to engage the Board on during 2022. These ideas include formalizing ESG goals and associated metrics, adding policy advocacy, expanding the emphasis areas of voting and engaging, exploring diversity, equity and inclusion (DEI) as an additional ESG priority, and broadening thematic investments.

Councilmember Mosqueda shared that Seattle recently joined with 18 other cities in making the Divest/Invest pledge as part of C40 Cities. CM Mosqueda asked about the analysis of the Net-Zero Asset Owners Alliance covered in the staff presentation. Mr. Malinowski responded that staff looked to the Board's ESG Policy when determining that it was not suitable for SCERS to sign-on to the Alliance.

ESG Discussion – San Francisco Employees' Retirement System

CM Mosqueda invited Andrew Collins, Director of ESG Investing for the San Francisco Employees' Retirement System (SFERS) to present SFERS's Climate Action Plan to the Board. Mr. Collins provided background information on SFERS, covering its portfolio structure and ESG-related beliefs and history. SFERS has divested from tobacco, Sudan, firearms, and thermal coal.

The three pillars of SFERS's ESG platform are active ownership, ESG investment management and ESG collaboration. Mr. Collins noted that there is meaningful overlap with SCERS's strategy.

SFERS has the ambition to become a net zero owner by 2050, which they recognize will also require policy prioritization and technological innovation. SFERS is only able to measure the carbon footprint of their public markets allocation, so they are actively working to expand coverage to private markets.

Judy Blinder commented that a net zero portfolio would limit the sectors invested and therefore the portfolio may no longer sit on the efficient frontier. Mr. Collins responded that the impact of SFERS investment exclusions has been slightly negative over time. The SFERS Board recognizes that divestment is an active top-down decision, and they are very selective in taking this action.

(11:05 am – Glen Lee Joined the meeting.)

CM Mosqueda asked how SFERS began their Climate Action Plan. SFERS staff developed a climate transition risk framework in 2018 that focused initially on coal and oil & gas companies that has recently been expanded to the utility sector as well. The SFERS Board approved the conceptual framework and directed staff to formalize an action plan that was developed in 2020.

Investment Committee Report – November 18, 2021

Jason Malinowski reported on the November 18, 2021 Investment Committee meeting. NEPC reviewed the Q3 2021 performance report and George presented the annual cost effectiveness and fee analysis.

Staff and NEPC also recommended redeeming from Heitman American Real Estate Trust because they identified better opportunities. This determination came out of routine monitoring of existing and prospective managers with a replacement manager expected to be recommended in the first half of 2022.

Motion: Upon motion by Glen Lee, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to redeem from the Heitman American Real Estate Trust. The motion passed unanimously (6-0).

Executive Director Update

Jeff Davis reminded the Board that this meeting was the last one of the year and wished all a happy new year.

CM Mosqueda reported that the City Council amended the 2022 budget to include the 2 new Member Services positions approved by the Board.

Adjourn Meeting

Motion: Upon motion by Teresa Mosqueda, seconded by Robert Harvey, Jr., the Board of Administration voted to adjourn the meeting at 11:23 a.m. The motion passed unanimously (6-0).