



# Seattle City Employees' Retirement System

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

## Minutes, Thursday, April 14, 2022

**Board Members Present:** Teresa Mosqueda (Chair), Robert Harvey, Jr., Sherri Crawford, Judith Blinder, Glen Lee, Kimberly Loving

**SCERS Staff Present:** Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, Leola Ross, George Emerson, Mengfei Cao, Mark Schimizza

**Others Present:** Mike Monaco (MMPL), Cyril Espanol (With.Intelligence), James Warren (SDOT), Elizabeth Paschke (ARSCE), Lauren Albanese (FIN News), Caroline Walker, Matt Courtois (FAS), Tom Mikesell (LEG), Tim Morrison (FAS), Guy Oron (Real Change News)

### Call to Order

Teresa Mosqueda, Chair, called the meeting to order at 10:01 am

### Public Comment

SCERS retiree Caroline Walker provided public comment requesting that the Board consider reporting pay for retired employees to The Work Number of TALX Corporation. Ms. Walker stated SCERS not reporting retirement pay for retirees may hinder their opportunity at obtaining housing, loans, etc.

Staff will do some research and get back to Ms. Walker as well as the Board.

### Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the March 10, 2022 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

<b>The following items represent normal expenses:</b>	
Pension Payroll	\$22,477,442.10
Office Payroll	375,804.98*
Admin Expenses	313,163.08
Investment Expenses	1,536,299.51
<b>Total Expenses – March 2022</b>	<b>\$24,702,709.67</b>

*\*Includes estimated benefit costs*

<b>Retirements, Withdrawals, Other Payouts – March 2022</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	21	\$62,909.23	\$424,217.76
Withdrawals	25	n/a	\$1,084,057.69

**Motion:** Upon motion by Glen Lee, seconded by Judith Blinder, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (6-0).

### **ESG 2.0 Presentation and Q1 2022 Update - Staff**

Leola Ross presented staff's proposal for the next iteration of SCERS's Environmental, Social and Governance (ESG) program. The proposed enhancements to the program were first shared with the Board at the December 9, 2021 Board meeting. The goal is to reflect the enhancements in the ESG policy when the policy is up for its three-year review cycle this spring. Staff intends to work with the Administrative Committee (AC) at the April and May AC meetings before bringing the policy back to the full board at the June 9<sup>th</sup> meeting.

The proposed ESG program integrates financially-material ESG factors into SCERS's investment process and pursues positive action strategies focused on climate change and diversity, equity, and inclusion (ESG). The existing ESG program is limited to the climate positive action strategy, which would also be enhanced by becoming more assertive in company voting and engaging and placing a greater emphasis on policy advocacy.

Dr. Ross reviewed the sources and trends in greenhouse gas emissions and the physical and transition risks related to climate change that apply to investment portfolios. Climate change poses a systemic risk to investment portfolios due to its profound and uncertain impact on the real economy. SCERS's portfolio is expected to perform very poorly over the long-term if climate change is unaddressed due to high realized physical risk. SCERS's Climate Action Positive Action Strategy has a goal to improve investment portfolio outcomes by contributing to the successful decarbonization of the real economy. SCERS will work towards the goal by company voting and engaging; policy advocacy; and sustainability investments.

Diversity is the underpinning of the SCERS portfolio across its allocation, strategies, and individuals. SCERS DEI Positive Action Strategy's goal is to improve investment portfolio outcomes by harnessing the superior decision-making of diverse teams. SCERS will work towards the goal by company voting and engaging, and manager research.

Integrating financially-material ESG factors into SCERS's investment process is expected to improve portfolio outcomes. ESG risks and opportunities are considered as part of a holistic assessment that is primarily focused on manager research, although climate change is factored into strategic asset allocation. Dr. Ross provided case studies of how ESG risks and opportunities had been evaluated for several investment managers.

Board members commented about differences in company engagements across countries, the challenges of diversity in the investment industry and trends in greenhouse gas emissions.

Ms. Mosqueda suggested that SCERS have an independent analysis of climate change conducted on the portfolio as New York City had done, and suggested FFI as a potential consultant.

Ms. Ross responded that FFI is focused on transition risk, but that it is physical risk that is more concerning for SCERS's portfolio. Mr. Davis added that NEPC had analyzed the impact of climate change on SCERS's portfolio a few years ago and it may make sense to revamp that analysis in advance of the strategic asset allocation that is scheduled for 2023. Ms. Blinder was in support of Mr. Davis' suggestion and stated that strategic asset allocation is the major driver of portfolio return.

Ms. Mosqueda expressed her preference to conduct the climate-related analysis before updating the ESG policy. Mr. Davis responded that the proposed ESG program is in no way inconsistent with a later analysis of the impact of climate change on the portfolio.

Due to the length of time of this discussion, the Q1 2022 ESG Update was deferred to a later board meeting.

### **Investment Committee Report – March 31, 2022**

Mr. Malinowski reported that there were two items on the Investment Committee agenda for March: a refresh of the manager research process and a recommendation to commit up to \$30 million to Horsley Bridge Venture 14, a venture capital fund-of-funds strategy.

**Motion:** Upon motion by Robert Harvey, Jr., seconded by Glen Lee, the Board of Administration accepted the Investment Committee's recommendation to commit up to \$30 million to Horsley Bridge Venture 14, pending satisfactory legal review. The motion passed unanimously (6-0).

### **Administrative Committee Report – March 31, 2022**

Mr. Davis stated that the Administrative Committee discussed the Investment Committee and Administrative Committee charters as part of the three-year charter review. The committee supported adding language to spell out the role of the committee chair. Both charters were tabled for a future meeting after proposed language has been added.

**Motion:** Upon motion by Robert Harvey, Jr., seconded by Sherri Crawford, the Board of Administration accepted the Administrative Committee's recommendation to reaffirm the Credit Interest Policy for Members. The motion passed unanimously (6-0).

### **Executive Director Update**

Mr. Davis stated that SCERS will be accepting candidacy documents through April 28, 2022 for the open trustee seat.

Executive Session was deferred to the May Board meeting due to lack of time.

### **Adjourn Meeting**

**Motion:** Upon motion by Judith Blinder, seconded by Robert Harvey, Jr., the Board of Administration voted to adjourn the meeting at 11:55 a.m. The motion passed unanimously (6-0).