



Seattle City Employees' Retirement System

Investment Committee Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle
(206) 386-1293

Minutes, Thursday, April 29, 2021

Due to the “Healthy Washington, Roadmap to Recovery” order issued by Governor Inslee, the meeting was held remotely.

IC Members Present: Robert Harvey, Jr. (Chair), Judith Blinder, Sherri Crawford, Bobby Humes

IAC Members Present: Joseph Boateng (Chair)

SCERS Staff Present: Jeff Davis, Jason Malinowski, Paige Alderete, Nina Melencio, Cecelia Chen, George Emerson; Mark Schimizza

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney’s Office), Don Stracke (NEPC), Tim Morrison (FAS)

Call to Order

Robert Harvey, Jr., chair, called the meeting to order at 12:00 pm.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the March 25, 2021 Investment Committee.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee approved the minutes from the March 25, 2021 Investment Committee meeting. The motion passed unanimously (3-0).

Real Estate Deep Dive

Jason Malinowski, Cecelia Chen, and Don Stracke (NEPC) provided a deep dive discussion on the Real Estate asset class and answered questions from the committee.

Real Estate offers diversification to equities and is expected to provide some protection against unexpected inflation. SCERS is mostly invested throughout the US and is working to diversify globally. SCERS's allocation to Real Estate is currently 9.2%, which is below the 12% target weight.

Over the last 12 months staff began the process of resizing the amount invested in SCERS's three core real estate managers to be more balanced, which has been slowed by the pandemic; committed \$17.5 million to Sculptor Real Estate Fund IV, a global non-core strategy; and performed a comprehensive review of the Asia core real estate manager universe.

Total performance of the asset class has been challenged recently due to the COVID-19 pandemic. SCERS performance has trailed the index due to manager sector positioning. The pandemic has accelerated several trends that were already happening, i.e., e-commerce. The divergence in performance in property types is expected to continue and be more pronounced.

Based on NEPC's review, they are recommending that SCERS commit approximately \$25 million to non-core real estate for the upcoming year based on the 12% allocation target and a gradual increase each year going forward; as well as commit \$50-75 million to core Asian Real Estate with a similar sized commitment to core European Real Estate in two to three years.

Real Estate Manager Recommitment – Brookfield Strategic Real Estate Fund IV

Cecelia Chen presented Staff's recommendation to commit up to \$25 million to Brookfield Strategic Real Estate Partners IV ("BSREP IV"), a global and sector diversified real estate strategy.

BSREP IV would be SCERS's third fund investment in Brookfield's real estate strategy. SCERS had committed \$25 million to Brookfield Strategic Real Estate Partners III and \$15 million to Brookfield Strategic Real Estate Partners II. SCERS has also committed a total of \$29.5 million to two Brookfield infrastructure funds.

NEPC concurred with staff's recommendation.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee recommended that the Board of Administration commit up to \$25 million to Brookfield Strategic Real Estate Fund IV, pending satisfactory legal review. The motion passed unanimously (3-0).

Manager Research Process

Staff and NEPC presented their manager research processes as previously requested by CM Teresa Mosqueda.

Mr. Malinowski reviewed SCERS's five-step process that includes manager universe identification, investment due diligence, operational due diligence, Investment Committee/Board approval, and legal review. Staff develops a ratings matrix for each manager which consists of investment factors related to organization, investment strategy and track record, and operational factors.

(1:20 p.m. – Bobby Humes arrived at the meeting.)

Mr. Stracke reviewed NEPC's process, which is a combination of quantitative analysis of a track record and qualitative analysis of incentive and alignment. NEPC has 60 people on their research team, which allows them to have comprehensive coverage of the manager universe. NEPC's rating framework is very similar to SCERS. Their highest rated managers end up on their Focused Placement List (FPL). NEPC has increased its focus on diverse managers by gender or ethnicity.

Adjourn Meeting

Motion: Upon motion by Bobby Humes, seconded by Sherri Crawford, the Investment Committee voted to adjourn the meeting at 1:42 p.m. The motion passed unanimously (4-0).