



Seattle City Employees' Retirement System

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

Minutes, Thursday, February 25, 2021

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

IAC Members Present: Joseph Boateng (Chair), Dr. Cathy Cao, Steve Hill, Dwight McRae,

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

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

Call to Order

Robert Harvey, Jr., Chair, called the meeting to order at 12:01 pm.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the January 28, 2021 2020 Investment Committee.

Motion: Upon motion by Bobby Humes, seconded by Teresa Mosqueda, the Investment Committee approved the minutes from the January 28, 2021 Investment Committee meeting. The motion passed (6-0).

Investment Advisory Committee Annual Report

Joseph Boateng, Dr. Cathy Cao, Steve Hill, Dwight McRae, and Keith Traverse of the Investment Advisory Committee (IAC) attended the February 25, 2021 Investment Committee meeting. Mr. Boateng, chair of the IAC, reported on the 2020 IAC Annual Report to the committee.

The IAC offers strategic guidance that is intended to endure over the long-term. Mr. Boateng discussed the guidance in the report which included: (1) commitment to financial sustainability; (2) focus on fee effectiveness; (3) align investment beliefs with processes and resources; and (4) support continual learning. SCERS has undertaken several initiatives in the past several years that are aligned with the IAC's guidance.

(12:08 p.m. – Lou Walter arrived at the meeting.)

The IAC also provides shorter-term recommendations for the upcoming year. The IAC and Investment Committee members discussed the recommendations in the report which included: (1) augmenting SCERS's risk management framework; (2) scheduling interim meetings with the Executive Director to review the bylaws and evaluate other operational matters; and (3) continuing their focus on fee effectiveness. Mr. Boateng commended the staff on their continual effort to assess fee effectiveness.

The IC members thanked members of the IAC for their work and objectivity.

Jason Malinowski reviewed staff's response to the Investment Advisory Committee (IAC) recommendations provided in the IAC 2020 Annual Report. The IAC recommendations continue to be helpful guidance for SCERS planning and prioritization. A formal staff response was developed and presented for the first time in 2020 and will continue going forward

Quarterly Performance Review – Q4 2020

Don Stracke and Mike Malchenko of NEPC reviewed SCERS's investment performance for the period that ended December 31, 2020. SCERS returned 12.6% net-of-fees for the last year, which underperformed the policy index that returned 13.2% and outperformed the median public pension fund that returned 10.8%. Assets increased from \$3.14 billion to \$3.52 billion over the last year.

Asset-Liability Integrated Performance Discussion

Mr. Malinowski presented on integrating the performance of assets and liabilities. 2020 was a strong year for system assets represented by the investment portfolio. However, return expectations fell materially, which implies that system liabilities also increased in 2020. This suggests that a focus exclusively on asset returns can provide a distorted perspective when evaluating the financial health of the system. Since assets and liabilities are often correlated, their effects can be offsetting.

Staff is working with JP Morgan Asset Management on a liability-aware investing framework with the hope of incorporating it in the next asset-liability study. Staff also will collaborate with Milliman and NEPC on potential reporting enhancements.

Adjourn Meeting

Motion: Upon motion by Teresa Mosqueda, seconded by Glen Lee, the Investment Committee voted to adjourn the meeting at 1:09 pm. The motion passed unanimously (7-0).