



# 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, January 14, 2021

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

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

**IAC Members Present:** Joseph Boateng (IAC Chair), Steven Hill

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

**Others Present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Dan Eder (LEG), Jeannette Voiland (ARSCE), KUOW Radio, Michael Barela (Voya Investment Management), Chase Kitchen (MO)

### Call to Order

Teresa Mosqueda, Chair, called the meeting to order at 10:01 a.m.

### Public Comment

There was no public comment.

### Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the December 10, 2020 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$19,342,220
Office Payroll	438,145*
Admin & Investment Expenses	712,412
<b>Total Expenses – December 2020</b>	<b>\$20,492,777</b>

*\*includes estimated benefit costs*

<b>Retirements, Withdrawals, Other Payouts – December 2020</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	14	\$48,125.17	\$422,161.03
Withdrawals	17	n/a	\$428,511.06

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

### **ESG Quarterly Update Follow-up on Divestment**

Ms. Mosqueda stated that the presentation is a requested follow-up about existing policies as they relate to divestment. She is seeking to learn more about past consideration, existing policy and what other jurisdictions and municipalities have considered. There is no action item on the agenda.

Staff reported that SCERS has undertaken six studies of fossil fuel divestment since 2013. Each study concluded that divestment is financially imprudent and, therefore, conflicted with the Board's fiduciary responsibilities. The Board unanimously established an ESG positive action strategy in 2015 after declining to pursue fossil fuel divestment. In 2019, the Board unanimously adopted a revised ESG policy that explicitly ruled out divestment.

Jason Malinowski provided a summary of the financial analysis. There are several reasons why divestment is deemed financially imprudent. Divestment reduces diversification, resulting in increased portfolio risk. Washington state law requires SCERS's portfolio to be diversified. Divestment also directly contradicts SCERS's investment beliefs and strategy that emphasize passive investing.

Mike Monaco, the Board's outside counsel, provided a summary of the legal analysis conducted in 2017. SCERS is subject to strict requirements of fiduciary responsibility under Washington state law, including a duty of loyalty to system members and duty of prudence. Mr. Monaco concluded that the Board may not sacrifice its financial objectives to pursue other objectives, even if they are laudable.

Mr. Malinowski reviewed the three pillars of the ESG positive action strategy, including shareholder advocacy, sustainability investments and integrating climate risk into the investment process. He provided several key accomplishments since the strategy was established in 2015.

Joseph Boateng, Chair of the Investment Advisory Committee, discussed whether divestment changes corporate behavior. He concluded that engagement is a more meaningful way to have impact since divestment leads to losing your voice and the ability to influence management.

Mr. Malinowski presented the peer update. No U.S. public pension plan has divested or committed to divest from fossil fuel companies. There have been many false and misleading media reports of plans divesting. Staff anticipates that a public plan will eventually divest, but this would have no bearing on SCERS's financial and legal analysis, and the conclusions presented to the Board.

Jeff Davis concluded the presentation by noting that climate change is a threat and addressing it is a laudable goal. The primary interest of SCERS is for its members and that members receive the benefits they have earned. The act of divestment places other concerns before the interest of members and is not an effective way of changing corporate behavior. Staff will continue to report to the Board on industry trends and what SCERS is doing to carry out its positive action strategy.

Ms. Mosqueda requested to continue the conversation at the next meeting to include information on what is happening with other systems. She would also like to invite FFI to present. Mr. Davis responded that staff will dive deeper in what other pension systems have done, including separating the stated action versus what is actually occurring. He also noted that SCERS's investment policy is foundational and is not influenced by what other pension systems are doing or not doing.

Ms. Crawford concurred that she would be interested in learning more about what other pension plans are doing. She would like to address global warming but is not convinced that divestment will get SCERS there. Mr. Lee concurred with the enhanced assessment for the next meeting.

The Board discussed the Mayor's letter requesting fossil fuel divestment. Mr. Harvey expressed concern about a line being crossed since the Mayor does not have the authority to compel the system to do anything other than what the Board is fiduciarily required to do. He questioned whether responding to the request would set a poor precedent. Mr. Monaco agreed with Mr. Harvey that people outside the Board do not have the right to control the Board or require the Board to respond. At the same time, the Board can make appropriate judgements on how to respond to any issues that are raised. Ms. Mosqueda has asked the board for consideration of the letter, so the matter is properly in front of the Board to be considered.

Ms. Mosqueda stated that she sees the Mayor's letter as public comment. Given the mayor's role and out of respect for her office, a response is appropriate.

### **Authorized Parties Form**

The Authorized Parties Form is a form required by SCERS's custodial bank, BNY Mellon, that lists those individuals that have authorization to transfer cash and make transactions. The form is being updated to reflect Tony Smith's retirement and the hiring of George Emerson. Any time BNY Mellon is directed to transact, it requires action by someone on the investment team and someone on the management team.

**Motion:** Upon motion by Judith Blinder, seconded by Sherri Crawford, the Board of Administration approved the Authorized Parties Form effective January 14, 2021. The motion passed unanimously (6-0).

### **Executive Director Update**

SCERS's Planning for Retirement seminar has been recorded and is now available for members on the SCERS's public-facing website.

Mr. Davis thanked Charles Bernal, Ronda Iriarte, and Paige Alderete for their work on this project.

### **Closed Deliberation to review Disability Retirement Application**

The Board entered closed deliberations to review a Disability Retirement application at 11:20 am for 20 minutes.

The Board reconvened to regular session at 11:29 a.m.

**Motion:** Upon motion by Bobby Humes, seconded by Robert Harvey, Jr., the Board of Administration denied the retirement disability application that was presented in accordance with the determination of the independent medical examination. The motion passed unanimously (6-0).

## **Adjourn Meeting**

**Motion:** Upon motion by Teresa Mosqueda, seconded by Bobby Humes, the Board of Administration voted to adjourn the meeting at 11:35 a.m. The motion passed unanimously (6-0).