



Seattle City Employees' Retirement System

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

Minutes, Thursday, May 13, 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., Judith Blinder, Sherri Crawford, Bobby Humes, Glen Lee

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, George Emerson, Selam Teklemariam,

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), John Masterjohn (ARSCE), Tim Morrison (FAS), Tom Mikesell (LEG)

Call to Order

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

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the April 8, 2021 Retirement board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$20,576,396.19
Office Payroll	\$367,468.63*
Admin & Investment Expenses	\$524,867.47
Total Expenses – April 2021	\$21,468,732.29

*includes estimated benefit costs

Retirements, Withdrawals, Other Payouts – April 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	33	\$130,341.04	\$1,065,008.36
Withdrawals	15	n/a	\$318,453.51

Motion: Upon motion by Bobby Humes, seconded by Robert Harvey, Jr., the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

Council of Institutional Investors Presentation

Amy Borrus, Executive Director of the Council of Institutional Investors (CII), provided an overview of CII and answered questions from the Board. SCERS has been an active member of CII since 2011. Jill Johnson, who recently retired as a Senior Investment Officer with SCERS, was on CII’s U.S. asset owners advisory council.

CII is a leading voice for good corporate governance, strong shareholder rights, and sensible financial rules that foster fair, vibrant capital markets. They provide education, advocacy, and networking for their members.

CII focuses on governance because effective governance standards and practices is the linchpin to ensure corporate boards pay appropriate attention to environmental and social factors. Boards that are accountable to their shareholders are more likely to monitor and mitigate climate change risk to their business and invest in their workforce. CII’s priority issues for 2021 are investor rights & protections, corporate disclosure and market systems and structure.

ESG Quarterly Update

Jason Malinowski presented the ESG Quarterly update for second quarter 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.

There is a pivotal shareholder meeting at Exxon that will take place at the end of May. SCERS is a member of the Coalition United for a Responsible Exxon (CURE). CURE made key recommendations that Exxon should take to improve its financial performance. The key recommendations were to strengthen governance which includes splitting the Chair and CEO role as well as replace four of the members of the Exxon board. These are very exciting initiatives. As it relates to shareholder advocacy, SCERS also joined other institutional investors in a letter to Congress to overturn a Securities and Exchange Committee (SEC) rule that makes it more difficult for investors to submit shareholder resolutions.

BlackRock, a SCERS-invested manager, published a paper introducing their development of climate-aware capital market assumptions. The development of climate-aware capital market assumptions can complement NEPC’s climate scenario analysis methodology that was incorporated in SCERS’s 2019 asset-liability study.

Mr. Malinowski is scheduled to participate on a panel at the Pensions & Investments’ ESG Investing virtual Series on May 17, 2021. The panel entitled “Investing for Climate” will focus on engagement and collaboration opportunities related to climate change and tools and data that can be used to evaluate climate risks.

Investment Committee Report – April 29, 2021

Mr. Malinowski reported on the April 29, 2021 Investment Committee meeting. There were three items on the agenda: Deep Dive of the Real Estate asset class, a Real Estate manager recommitment recommendation, and a presentation on SCERS's manager research process as previously requested by CM Mosqueda.

Staff and NEPC recommended a recommitment up to \$25 million to Brookfield Strategic Real Estate Fund IV (BSREP IV), a global and sector diversified real estate strategy. BSRP IV would be SCERS's third fund investment in Brookfield's real estate strategy.

The Investment Committee approved the recommendation.

Motion: Upon motion by Sherrri Crawford, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to commit up to \$25 million to Brookfield Strategic Real Estate Fund IV, pending satisfactory legal review. The motion passed unanimously (6-0).

Administrative Committee Report – April 29, 2021

Jeff Davis reported on the April 29, 2021 Administrative Committee meeting. There were five items on the agenda: Investment Consultant Evaluation process, Investment Advisory Committee (IAC) appointment, Board Self-Evaluation, request from Association of Retired Seattle City Employees (ARSCE), and staff compensation.

NEPC made a recommendation in January that they would value receiving feedback on their performance as SCERS's investment consultant. SCERS will create a survey that members of the Investment Committee, IAC, and staff would complete this fall. The survey would be completed annually going forward.

Keith Traverse is the head of asset allocation and risk management at BMGI, which is the investment manager for the Bill & Melinda Gates Foundation Trust. Mr. Traverse was re-appointed to a three-year term on the IAC. He was also appointed as Vice Chair of the IAC upon the recommendation of Joseph Boateng, current chair of the IAC.

Robert Harvey, Jr., reviewed the Board's response to their self-evaluation. Specifically, he reviewed the areas which received the lowest scores from Board members. Further discussion will be presented at the May Board of Administration meeting.

ARSCE requested that members be allowed access to the video link of the Board of Administration meetings and that meetings be recorded for future access. Members of the public will be granted video access to board meetings beginning with the June 2021 meeting. The meetings will not be recorded since minutes are provided and posted on the SCERS's website. Additionally, SCERS has also added minutes from the Investment Committee and Administrative Committee on the website.

One of SCERS's goals is to ensure staff are well-trained, well supported, and well compensated. A request was made to do a market survey on the leadership and investment team since the last study was conducted in 2013. Members of the Administrative Committee expressed support.

Motion: Upon motion by Bobby Humes, seconded by Glen Lee, the Board of Administration accepted the Administrative Committee's recommendation to reappoint Keith Traverse to the Investment Advisory Committee with a three-year term commencing May 13, 2021. The motion passed unanimously (6-0).

Motion: Upon motion by Bobby Humes, seconded by Robert Harvey, Jr., the Board of Administration accepted the Administrative Committee's recommendation to appoint Keith Traverse as Vice Chair of the Investment Advisory Committee with a three-year term commencing May 13, 2021. The motion passed unanimously (6-0).

Board Self-Evaluation

Mr. Harvey reviewed the 2020 summary of the full board self-evaluation. There was discussion on the lowest rated items, although it was noted that these items scored a 4 out of 5 and would be an opportunity for improvement rather than a negative score.

Areas that could be improved include:

- Each board meeting includes an opportunity for learning about the organization's activities.
- Board meeting presentations and discussions consistently reference the organization's mission statement.
- The Board evaluates the organization's performance on a regular basis by comparing the stated mission to actual operational achievements.
- The Board is actively engaged in the board development process.

Staff stated that there are operational deep dives scheduled for future board meetings. The mission statement will be added to the board packet for reference as it relates to each presentation. The board packets will also be emailed to the Board one day earlier. Mr. Harvey noted that board trainings and presentations by staff and others are part of the board development process.

Ms. Blinder stated that SCERS does an excellent job on onboarding, educational opportunities and presentations. She is wondering about the Board working together as a team in their decision making so there is more discussion before decisions are made.

There was discussion on a board retreat so board members could get to know each other and focus on a baseline of knowledge about board operations and emerging topics. The Board will consider scheduling a half day retreat when they are back to in person meetings.

Executive Director Update

Mr. Davis reported on the 2021 Trustee Elections for an Active Member seat and on agenda items for future meetings.

There are two candidates for the position:

- Sherri Crawford
- Amy Woo

Elections begin on May 13, 2021 and end on June 7, 2021. The winner of the election will be announced at the June 10, 2021 board meeting.

The Board and staff have been talking a lot about climate change and how it impacts investments. CM Mosqueda has been speaking to other public pension systems and wants an opportunity for them to present to SCERS. There has been some support from other board members on having these presentations. At the June meeting, the Deputy Chief of Sustainability from the mayor's office in Los Angeles will present to the board. New York City will make a presentation at the July board meeting.

At the August board meeting, a check in will be conducted with the board to find out if these presentations have been helpful. CM Mosqueda thanked staff for ongoing discussions on this topic.

Executive Session for Personnel Matter

Executive Session for a Personnel Matter is expected to last 15 minutes and began at 11:39 a.m.

The Board reconvened in regular session at 11:48 a.m.

As a board, they are very happy with SCERS's and the Executive Director's performance for 2020. There are no issues to bring forward and they look forward to continuing working with everyone.

Adjourn Meeting

Motion: Upon motion by Bobby Humes, seconded by Robert Harvey, Jr., the Board of Administration voted to adjourn the meeting at 11:52 a.m. The motion passed unanimously (6-0).