



Seattle City Employees' Retirement System

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

Minutes, Thursday, January 25, 2024

IC Members Present: Sherri Crawford (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Jamie Carnell, Kimberly Loving

IAC Members Present: Joseph Boateng, Dwight McRae

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Rose Dean (NEPC), Kevin Balaod (With Intelligence), Thao Nguyen (NEPC), Lindsay Saeinni (Fin News), Andrew Robinson (FAS), Daniel Hennessy (NEPC)

Call to Order

Sherri Crawford, Chair, called the meeting to order at 12:00 pm

Public Comment

There was no public comment.

Minutes

Approved Minutes from the November 30, 2023 Investment Committee.

Motion: Upon motion by Maria Coe, seconded by Joseph Hoffman, the Investment Committee approved the minutes from the November 30, 2023 Investment Committee meeting. The motion passed unanimously (5-0).

Investment Consultant Evaluation

Mr. Malinowski informed the committee that staff issued the RFP for the general investment consultant. The RFP closes on February 23, 2024.

(12:02 pm – Kimberly Loving joined the meeting.)

Mr. Malinowski briefly reviewed results from the annual investment consultant evaluation. There was generally positive feedback from the Investment Committee and Investment Advisory Committee members, as well as staff.

All ratings were above 4 on a scale where 1 is the lowest and 5 is the highest score. Mr. Malinowski spoke to some of the relatively lower scores from staff. Staff reviews consultant reports to ensure data integrity and sometimes find data issues. He hears similar feedback from peers on their consultants. ESG is still an area that the consultant can improve on, although they have come a long way.

Ms. Carnell appreciated the results, particularly the consultant's improvement in the ESG space. Ms. Blinder stated that she occasionally finds the consultant's presentations a little confusing and the graphs are too busy.

Ms. Dean, of NEPC, appreciated the feedback and has shared the results with senior management so they can look at areas of improvement.

Annual Investment Review and Planning Session

Mr. Malinowski, Leola Ross, George Emerson, Mengfei Cao, and Rose Dean (NEPC) presented the Annual Investment Review and Planning Session.

During 2023, SCERS performed an asset-liability study in collaboration with NEPC that incorporated the liability-aware investing framework and culminated in setting an updated strategic asset allocation target and revising the Investment Policy. Staff enhanced the environmental, social, and governance (ESG) program including the climate and diversity, equity, and inclusion (DEI) positive action strategies. BNY Mellon's services were expanded to include MSCI's portfolio analytics and risk platform that will allow SCERS to consolidate disparate systems and streamline portfolio and risk monitoring,

During 2024, SCERS plans to conduct an RFP process for a general investment consultant due to NEPC's contract expiring on June 30, 2024, continue advancement of the ESG program, onboard the MSCI portfolio analytics and risk platform, and complete the operational due diligence review of SCERS's existing investment managers with the support of Castle Hall. The Investment Advisory Committee is currently working on their annual report, so there may be new items added to 2024 based on their recommendations.

Staff members reviewed the 2023 activity and 2024 plans for each asset class. Asset class weights are reasonably close to targets and within their permissible ranges. A notable development is that Global Infrastructure Partners announced that it is being acquired by BlackRock. Staff are evaluating this acquisition before finalizing the contract for Global Infrastructure Partners V that the Board had approved in 2023.

Ms. Dean provided NEPC's perspective by comparing SCERS to best practices observed in their public pension client base. SCERS's investment program implementation is focused on efficiency, strategic perspective, and liability alignment. SCERS has a disciplined asset class review process and a strong manager due diligence and monitoring approach. Staff could increasingly leverage NEPC research to avoid being over-extended in terms of exploring managers in several growing asset classes.

Ms. Blinder asked why the Real Estate allocation declined over 2023. Mr. Malinowski responded that real estate market performance has turned negative as appraisers are gradually reflecting the higher interest rate environment in property valuations. There are also areas of fundamental weakness such as commercial offices.

Mr. Hoffman asked that any new developments in the evaluation of BlackRock's acquisition of GIP be shared at the February meeting.

Private Equity Manager Recommitment – Horsley Bridge Venture 15

Staff recommended a commitment of up to \$30 million to Horsley Bridge Venture 15 ("HB 15"), a venture capital fund-of-funds strategy. HB 15 would be SCERS's second fund investment with Horsley Bridge Partners. NEPC concurred with this recommendation.

Mr. Malinowski summarized the recommendation and reviewed the organization, strategy, and fund terms. Horsley Bridge has reduced the fund size of HB 15 as compared to the predecessor fund because they no longer plan to invest in China or with multi-stage venture capital managers. As a result, Horsley Bridge expects HB 15 to be oversubscribed with investor demand that exceeds the maximum fund size, in which case SCERS's allocation is expected to be approximately \$25 million.

Motion: Upon motion by Jamie Carnell, seconded by Joseph Hoffman, the Investment Committee recommended that the Board of Administration commit up to \$30 million to Horsley Bridge Venture 15 LP, pending satisfactory legal review. The motion passed unanimously (6-0).

Infrastructure Manager Recommitment – Stonepeak Infrastructure V

Staff recommended a commitment of up to \$20 million to Stonepeak Infrastructure Fund V LP ("Stonepeak V"), a North American-focused core-plus strategy. Stonepeak V would be SCERS's fifth fund investment with Stonepeak Infrastructure Partners. NEPC concurred with this recommendation and has rated Stonepeak V a 1, its highest rating.

Ms. Ross summarized the recommendation and reviewed the organization, strategy, and fund terms. Ms. Blinder and Mr. Boateng asked about Stonepeak's investments in structured or preferred equity. Ms. Ross described how these investments differ from common equity, which is expected to compose most of the fund.

Motion: Upon motion by Judith Blinder, seconded by Joseph Hoffman, the Investment Committee recommended that the Board of Administration commit up to \$20 million to Stonepeak Infrastructure Fund V LP, pending satisfactory legal review. The motion passed unanimously (6-0).

Adjourn Meeting

Motion: Upon motion by Judith Blinder, seconded by Maria Coe, the Investment Committee voted to adjourn the meeting at 1:40 pm. The motion passed unanimously (6-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, February 29, 2024

IC Members Present: Sherri Crawford (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Jamie Carnell, Kimberly Loving

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

SCERS Staff Present: Jeff Davis, Jason Malinowski, Paige Alderete, Nina Melencio, Mark Schimizzze

Others Present: Gavin Parr (MMPL), Gary Smith (City Attorney's Office), Joe Ebisa (WithIntelligence), Rose Dean (NEPC), Dan Hennessy (NEPC), Andrew Robinson (FAS), Kate Hoffman (LEG), Lindsay Saienni (FinNews)

Call to Order

Sherri Crawford, Chair, called the meeting to order at 12:00 pm.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the January 25, 2024 Investment Committee.

Motion: Upon motion by Judith Blinder, seconded by Jamie Carnell, the Investment Committee approved the minutes from the January 25, 2024 Investment Committee meeting. The motion passed unanimously (6-0).

Jason Malinowski provided a follow up to items discussed at the January 2024 Investment Committee meeting. SCERS ended up receiving the full \$30 million commitment that the Investment Committee had approved despite the fund being oversubscribed. Global Infrastructure Partners has extended the fundraising period for GIP V to the end of 2024, which affords staff more time to evaluate the firm's pending acquisition by BlackRock.

Investment Advisory Committee Annual Report

Keith Traverse, Joseph Boateng, Cathy Cao, Steve Hill, and Dwight McRae of the Investment Advisory Committee (IAC) attended the February 29, 2024 Investment Committee meeting. Mr. Traverse, chair of the IAC, presented the 2023 IAC Annual Report which included: major development for SCERS in 2023; fund performance as of Q3 2023; IAC's 2023 activities; strategic guidance; and IAC's recommendations for 2024.

The IAC offers strategic guidance that is intended to endure over the long-term. The guidance is evergreen which means that the work will never be complete. The IAC feels that SCERS is currently operating consistent with this guidance. Mr. Traverse 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 for the board.

The IAC's recommendations for 2024 fall under the following priority areas:

- Longevity Risk
- Transition Management Services
- Review of Operational Aspects of Managing the Portfolio and SCERS's Investment Operations Model
- Manage the denominator effect of investing in private assets with lagged valuations.

There was discussion on managing the denominator effect. The denominator effect stems from the lagged valuations of private market investments which can create benchmarking challenges. Mr. Boateng emphasized that it is important to not overreact to big performance differences between public markets and private markets. SCERS should continue to focus on the long-term, prioritize vintage year diversification and pay attention to liquidity which is given up when investing in private markets.

Mr. Malinowski noted that Jeff Davis met with the IAC prior to today's meeting regarding the staff response to the IAC Annual Report. The staff response is included in today's meeting packet. The IAC's strategic guidance and recommendations continue to be helpful for SCERS in planning and prioritization.

Quarterly Performance Review – Q4 2023

Rose Dean, of NEPC, reviewed SCERS's investment performance for the period that ended December 31, 2023.

SCERS returned 11.5% net-of-fees for 2023, which was in-line with the strategic policy benchmark and underperformed the passive reference benchmark. Asset increased from \$3.64 billion to \$3.99 billion over the last year. The funded status is estimated at 77.0% on an actuarial basis, and 81.2% on a market basis that revalues the liability based on current capital market assumptions.

Investment Outlook and Capital Market Assumptions – NEPC

Ms. Dean reported on NEPC's 2024 Investment Outlook and Capital Market Assumptions and answered questions from the committee members.

Ms. Dean reviewed NEPC's building block framework for developing asset class assumptions. The 10-year expected return for the investment portfolio decreased from 6.7% to 6.3% over 2023 due to strong public equity performance. The 30-year expected return increased slightly from 7.5% to 7.6%.

On an annual basis, NEPC identifies the market themes that they believe will impact the investment landscape over the next 12 months. These themes represent essential factors for investors and are likely to exert significant influence on market pricing and investor sentiment. NEPC's key market themes entering 2024 are cost of capital, Magnificent Seven, US fiscal debt, artificial intelligence, and geopolitics. Ms. Dean briefly provided a description and potential outcomes of each theme.

Adjourn Meeting

Motion: Upon motion by Maria Coe, seconded by Joseph Hoffman, the Investment Committee voted to adjourn the meeting at 1:04 pm. The motion passed unanimously (6-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, March 28, 2024

IC Members Present: Sherri Crawford (Chair), Dan Strauss, Judith Blinder, Maria Coe, Joseph Hoffman, Jamie Carnell, Kimberly Loving

IAC Members Present: Dwight McRae, Joseph Boateng, Steven Hill

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

Others Present: *Mike Monaco (MMPL)*, Gary Smith (City Attorney's Office), Cyril Espanol (With Intelligence), Rose Dean (NEPC), Allison Boxer (PIMCO), Kerrisha Jenkins (PIMCO), Catharine Roddy (PIMCO), Lindsay Saeinni (Fin News), Andrew Robinson (FAS), Thao Nguyen (NEPC)

Call to Order

Sherri Crawford, Chair, called the meeting to order at 11:00 am.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the February 29, 2024 Investment Committee.

Motion: Upon motion by Dan Strauss, seconded by Maria Coe, the Investment Committee approved the minutes from the February 29, 2024 Investment Committee meeting. The motion passed 6-0-1 with Mr. Strauss abstaining.

Investment Consultant Search Update

Jason Malinowski gave an update on the Investment Consultant search. SCERS's Investment Consultant reports to the Board of Directors through the Investment Committee. The current consultant's contract held by NEPC expires on June 30, 2024.

The RFP was issued in January. SCERS received seven responses to the RFP, and all met the minimum qualifications. Mr. Davis, Dr. Ross, and Mr. Malinowski were on the RFP review panel and have been reviewing and scoring the submissions since February 23rd.

Each panelist scored each submission independently for organization and consulting services factors. The pricing proposals were scored based on a uniform evaluation. The evaluation criteria consisted of 40% organization, 40% consulting services and 20% price.

The goal in reviewing RFPs was to identify three to four semi-finalists to progress to the next step of due diligence. The firms receiving the highest scores who are the named semi-finalists are: NEPC (76 points), Meketa (73), Verus (66) and RVK (65).

There will be further due diligence of site visits, reference calls, and reputational and operational due diligence in April and May to further narrow the pool to two to three finalists. Finalists will be interviewed by the Investment Committee at their May meeting, which will also be attended by the Investment Advisory Committee. Because of the interviews, the May Investment Committee meeting will need to be three hours, rather than two. Staff will provide memos on each finalist with background information and an evaluation, but it will be the responsibility of the IC to make the final determination.

There was discussion on the responsibilities of the Investment Consultant which includes attending the Investment Committee meetings, generating the quarterly performance reports, leading the asset liability study, and conducting research for the staff.

Core & Long-Term Fixed Income Deep Dive

Jason Malinowski and George Emerson presented the annual Core Fixed Income and Long-Term Fixed Income deep dives. This will be the first deep dive for Long-Term Fixed Income since it was just added to the portfolio at the beginning of 2024. They reintroduced both asset classes, discussed the market environment, reviewed the allocation and answered questions from committee members.

The primary role of Core Fixed Income in SCERS's portfolio is diversification and as a source of stability and liquidity to meet short-term cash flow needs and rebalance the portfolio. Core Fixed Income is represented by high-quality borrowers and has low expected volatility, return, and sensitivity to equity markets. SCERS's target allocation to Core Fixed Income is 14% with a current allocation of 15.6%. Performance for Core Fixed Income rebounded in 2023 from the prior year and continues to closely track the index. SCERS's Core Fixed Income managers are PIMCO and Pugh.

The primary role of Long-Term Fixed Income is diversification and its very strong alignment with SCER's long-lived liabilities. Long-Term Fixed Income is represented by fixed-rate and inflation-protected securities issued by the US government with more than 10 years remaining to maturity. SCERS's target allocation to Long-Term Fixed Income is 5% with a current allocation of 4.9%. SCERS's Long-Term Fixed Income manager is Russell Investments.

Over the last 12 months, staff added Long-Term Fixed Income to the strategic asset allocation and selected Russell Investments to manage a separately managed account. Staff will continue to monitor the Core and Long-Term Fixed Income portfolios with periodic rebalancing as market values change.

PIMCO 2024 Economic Outlook

Allison Boxer, a senior vice president and economist at PIMCO's New York office, provided PIMCO's 2024 Economic Outlook and answered questions from committee members.

The US economy is expected to continue outperforming other countries in 2024. Growth may be slower this year than last year due to the impact of higher interest rates, although PIMCO does not expect a recession. US

inflation has slowed sharply thanks to supply effects, while demand driven inflation remains well above pre-pandemic levels.

Adjourn Meeting

Motion: Upon motion by Dan Strauss, seconded by Maria Coe, the Investment Committee voted to adjourn the meeting at 12:36 pm. The motion passed unanimously (7-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, April 25, 2024

IC Members Present: Judith Blinder (Chair), Maria Coe, Jamie Carnell, Kimberly Loving, Dan Strauss

SCERS Staff Present: Jeff Davis, Jason Malinowski, Paige Alderete, Nina Melencio, Travis Jones, George Emerson, Mengfei Cao, Mark Schimizzze

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Joe Ebisa (With Intelligence), Rose Dean (NEPC), Daniel Hennessy (NEPC), Thao Nguyen (NEPC), Andrew Robinson (FAS), Kevin Gordon (Markets Group), Tim McCusker (NEPC), Jeffery Shields (JP Morgan)

Call to Order

Judith Blinder, Chair, called the meeting to order at 11:00 am.

Public Comment

There was no public comment.

Ms. Blinder reminded the committee that the May Investment Committee will be three (3) hours rather than two (2) hours.

Minutes

Approved Minutes from the March 28, 2024 Investment Committee.

Motion: Upon motion by Maria Coe, seconded by Jamie Carnell, the Investment Committee approved the minutes from the March 28, 2024 Investment Committee meeting. The motion passed unanimously (4-0).

Jason Malinowski introduced the Investment Team's new intern, Travis Jones. Mr. Jones is in his first year in the computational finance program at the University of Washington. He previously worked 15 years at Microsoft.

Artificial Intelligence Presentation – NEPC

Tim McCusker, Chief Investment Officer at NEPC, presented on Artificial Intelligence and Its Potential Impact on Investments and answered questions from the committee members.

Tech platform shifts happen about once a decade due to computing power, big data, and algorithm advancement. AI is the technological tectonic shift of the current decade and will impact all sectors. Broad potential investment applications include healthcare, finance, transportation, retail, manufacturing, education, agriculture, energy, law, and entertainment. There will be many positive outcomes from the rollout of AI including global productivity boost and new products and innovation. AI is expected to drive global growth of about \$100 trillion. The challenges will include job displacement and misuse/security breaches.

The investment industry will be impacted directly but will also need to assess the global implications of AI rollout and the impact across asset classes and portfolios.

Investment Beliefs Primer

Mr. Malinowski reviewed the Investment Beliefs with the committee. The goal was for the committee to have an understanding of the beliefs, see if there is other education that can be useful, and get feedback from the committee members.

It is an emerging best practice for institutional investors to set a core set of investment beliefs. Approximately half of public pensions have investment beliefs. SCERS's beliefs were developed in 2015 when the Investment Policy was rewritten. In 2019 beliefs on Environmental, Social, & Governance (ESG) and Liabilities were added.

Mr. Malinowski reviewed each of the following beliefs, its practical implication and the belief corroboration:

1. Time Horizon
2. Diversification
3. Strategic asset allocation
4. Costs
5. Risk Management
6. Passive Investing
7. Performance assessment
8. Alignment
9. Liabilities
10. ESG

Beliefs should be durable and lasting, but subject to regular review. SCERS's beliefs are reviewed every three to five years during the asset-liability study. The Board's understanding and support of the investment beliefs is critical. Staff recognize there may be future opportunities to streamline and enhance the beliefs.

Adjourn Meeting

Motion: Upon motion by Dan Strauss, seconded by Maria Coe, the Investment Committee voted to adjourn the meeting at 12:26 pm. The motion passed unanimously (5-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, May 30, 2024

IC Members Present: Sherri Crawford (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Dan Strauss, Jamie Carnell, Kimberly Loving

IAC Members Present: Keith Traverse, Cathy Cao, Joseph Boateng, Steve Hill

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Mika Malone (Meketa), Colin Bebee (Meketa), Paola Nealon (Meketa), Rose Dean (NEPC), Daniel Hennessy (NEPC), Thao Nguyen (NEPC), Kevin Balaod (With Intelligence), Darren Millard (With Intelligence), Margaret Belmondo (NEPC), Kellie Kane (NEPC), Brighton Glassman (Markets Group), Sarah Samuels (NEPC), Lindsay Saienni (Fin News), Michael Manning (NEPC), Tim McCusker (NEPC), Andrew Robinson (FAS), Marcie Vidinli (Pugh)

Call to Order

Sherri Crawford, Chair, called the meeting to order at 11:00 am.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the April 25, 2024 Investment Committee.

Motion: Upon motion by Maria Coe, seconded by Judith Blinder, the Investment Committee approved the minutes from the April 25, 2024 Investment Committee meeting. The motion passed unanimously (7-0).

Investment Consultant Search Update

Jason Malinowski provided an update on the Investment Consultant search. Seven (7) firms responded to the RFP. Staff have narrowed the field to two finalists, NEPC and Meketa. Staff are confident that either firm can deliver the services required. Both firms are well-resourced, longstanding, and independent.

Each finalist will provide a 40-minute presentation at today's meeting followed by 20 minutes of Q&A with the Investment Committee. The Investment Committee will then deliberate and make a final selection which will be pending until Board approval at the June 13, 2024 meeting. The Investment Advisory Committee members are encouraged to provide their perspective during deliberations. Staff will be available to answer clarifying questions.

NEPC Presentation and Q&A

Rose Dean of NEPC introduced the rest of the proposed core team, Daniel Hennessy and Thao Nguen. Other members of NEPC leadership were present: Michael Manning (Managing Partner), Tim McCusker (Chief Investment Officer), Margaret Belmondo (Public Funds Team Leader), Sarah Samuels (Head of Investment Strategy), and Kellie Kane (Chief Operating Officer).

NEPC provided an overview of their firm and answered questions from committee members. NEPC is fully committed to their clients with no outside distractions, a culture of partnership, and robust resources. NEPC has been SCERS's consultant since 2014. SCERS's portfolio has returned 9.1% and 7.0% annualized for the past 5 and 10 years, respectively, and is in the top quartile of its peers.

Their firm works with different investor types and remains independent to prioritize client interests. Of their 423 clients, 75 are public fund clients with total assets of \$875 billion. Client retention is 83% for clients who have been with NEPC for five or more years.

NEPC reviewed their Investment Framework and their approach to ESG and DEI. Their goal was to have 15% of their Focused Placement List represented by diverse-owned or led managers, which was achieved this year.

Mr. Traverse asked about the evaluation and compensation of consultants and research staff. NEPC stated that they are a partnership with 50 owners of which the largest owner has a 6% stake. For non-partners, they are offered a 401K and profit sharing across the firm. Their benefits are one of the best in the industry. NEPC also pays a bonus to every employee based on a survey sent to clients.

Mr. Boateng asked about their definition of success for clients. NEPC replied that the most important thing is that a client's assets grow at a rate that is higher than the assumed rate of return. NEPC also defines success as a smooth partnership that fulfills the client's needs.

Ms. Blinder asked how they address staff turnover. She also stated that there is room for improvement in the performance reports such as including more client-tailored information rather than general market commentary. NEPC responded that they strategically identified younger talent and made them partners of the firm for stability during the "great resignation" in 2021. Mr. Malinowski added that the performance report was streamlined about eight years ago and should be an ongoing conversation.

Dr. Cao asked what NEPC does if their recommendation differs from staff's opinion and what are the main tools NEPC applies to quantify and manage the risks of the retirement plan. Ms. Dean replied that NEPC and staff have occasional disagreements and that it is healthy to have different opinions and approaches. NEPC evaluates risk from multiple dimensions.

(There was a break from 12:19 to 12:30 pm)

Meketa Presentation and Q&A

Mika Malone of Meketa introduced members of the proposed client consulting team, Jonathan Camp and Colin Bebee.

Meketa provided an overview of their firm and answered questions from committee members. Meketa believes they have strong alignment of interests with SCERS. They have no internal institutional products and seek to minimize any conflicts of interest, which allows their clients to trust their research and decisions.

Meketa is employee-owned, and no shareholder owns more than 25%. Meketa has advised defined benefit plans since the inception of the firm 45 years ago. Of their 252 clients, they have over 90 public fund clients. Their low client to consultant ratio means they know their clients and their portfolios well. Meketa's timely and proactive advice has resulted in strong client retention. Meketa utilizes internal committees to formulate investment advice, support practice groups, and to share best ideas with our clients. They integrate DEI practices into all aspects of their business model and investment processes.

Ms. Coe asked about Meketa's climate modeling. Ms. Malone responded that their climate modeling tools consider different potential climate environments and how it would impact portfolio performance.

Ms. Blinder referred to the launch of Meketa Capital that will offer products to retail clients, and asked how that would affect their ability to focus on their institutional investors. Ms. Malone responded that Meketa Capital is a separate business segment that will leverage the same guidance provided to institutions.

Mr. Traverse asked how Meketa's business has evolved in the past five to ten years and what is the vision for the next five to ten years. Ms. Malone responded that the co-CEOs and Board develop seven-year plans. They are halfway through the current plan that was developed after Meketa's merger with PCA. The merger was opportunistic as PCA had worked with some of the largest pension systems and was a smaller organization going through a generational transition. Meketa's current seven-year plan seeks to build on its four firm competencies.

Mr. Boateng asked about their strategic focus and whether it is shifting with the launch of Meketa Capital. Ms. Malone stated that the only way they can offer their private market services to the retail marketplace is because of their 45-year history of working with institutional investors.

Dr. Cao asked what philosophy and tools they utilize to manage risks and how Meketa measures success beyond investment performance. Mr. Bebee responded that there is no single answer for how risk is measured, so they make sure they are aware of all the risks and how processes can be improved going forward. Ms. Malone added that success includes a client's assessment on whether their needs are being met as well as client retention.

Investment Consultant Search Deliberation and Selection

The Investment Committee and Investment Advisory Committee members discussed the two finalists.

Mr. Traverse asked staff to lay out the principal tradeoff between the finalists. Mr. Malinowski replied that there are a lot of similarities between the two firms. In terms of differences, NEPC is a more stable organization who has not engaged in an acquisition or merger in the past and has a very diverse ownership base. Meketa has done a nice job of embedding technology in their processes and offers a best-in-class client portal. Meketa has a bigger research staff, particularly in private markets. Both firms have put forth very strong teams. Staff are impressed with both firms.

Mr. Hoffman asked about Meketa's recent mixed financial performance. Mr. Malinowski responded that Meketa hired a large number of individuals during the great resignation of 2021-2022 because they were expecting greater staff attrition than actually took place. Meketa has been naturally right sizing their expenses since that time, so it is less of a concern going forward.

Ms. Carnell observed that Meketa did not highlight their technological capabilities or represent their commitment to diversity in their presentation. She asked whether there were risks or costs to changing consultants.

Dr. Ross stated that Meketa's technology would be beneficial to staff as it provides transparency and insight into their research of investment managers. NEPC has similar research, but it is less accessible to staff.

Mr. Malinowski stated that both firms have comparable diversity that is more reflected in their overall workforce than leadership. There is a cost to changing consultants as far as onboarding new data and reviewing the existing portfolio, but it is not prohibitive. Mr. Davis added that SCERS has been in a relationship with NEPC for 10 years, but the current consulting team has been in place for just one year.

Ms. Coe asked how the transition had been with the new NEPC consulting team. Mr. Malinowski responded that it was disruptive for three to four months. SCERS had the advantage of having Allan Martin step in before Rose Dean joined NEPC and was onboarded. Ms. Dean has demonstrated her expertise and capabilities in recent months.

Ms. Crawford stated that she has been happy with NEPC and liked the fact that various people from NEPC showed up to present.

Mr. Traverse asked what would cause SCERS to regret changing to Meketa or staying with NEPC. Mr. Malinowski responded that the biggest potential regret would be if there were a change to the consulting team since both firms proposed very strong teams. Rose Dean is a partner with NEPC and Mika Malone is on Meketa's Board, so this risk is mitigated.

Ms. Blinder stated that there is more transparency in Meketa's process. NEPC is harder to get at underlying information they are using. That is a selling point in Meketa's favor, although either would be good choice.

Ms. Crawford asked about how the two finalists scored. Mr. Malinowski responded that NEPC scored slightly higher during the RFP evaluation, but this gap closed after additional due diligence to an effective tie. NEPC and Meketa scored meaningfully higher than the other semi-finalists.

Mr. Hoffman asked about SCERS's performance and whether it had always been in the top quartile. Mr. Malinowski responded that SCERS had generally placed in the bottom decile prior to NEPC.

Ms. Carnell stated that she was not looking to make a change, especially given recent market volatility. She feels that Ms. Dean has found her footing in working with SCERS and that she had a better reaction to NEPC's presentation.

Ms. Crawford said she was on the Board when there was a challenged relationship with the previous consultant. She has been pleased with NEPC. She is leaning towards NEPC but wants to make sure she's not biased, which is why she called on others for feedback.

Ms. Coe stated that she had a better reaction to NEPC's presentation as well.

Ms. Loving said that she has nothing negative to say about Meketa. She was disappointed in the lack of representation from a racial perspective from both groups, although she realizes that the investment industry is challenged in this regard.

Motion: Upon motion by Sherri Crawford, seconded by Kimberly Loving, the Investment Committee recommended that the Board of Administration contract with NEPC LLC as the general investment consultant effective June 30, 2024, for a five-year term, pending satisfactory legal review. The motion passed unanimously (6-0).

Adjourn Meeting

Motion: Upon motion by Maria Coe, seconded by Jamie Carnell, the Investment Committee voted to adjourn the meeting at 2:06 PM. The motion passed unanimously (6-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, June 27, 2024

IC Members Present: Sherri Crawford (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Dan Strauss, Jamie Carnell

IAC Members Present: Dwight McRae

SCERS Staff Present: Jeff Davis, Jason Malinowski, Paige Alderete, Mengfei Cao, Nina Melencio, George Emerson, Mark Schimizze

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Joe Ebisa (With Intelligence), Rose Dean (NEPC), Alex Scoggins (Pugh Capital Management), Fabian Neuenschwander (Brookfield), Alison Giampa (Brookfield), Daniel Heffernan (Brookfield), Shelli Santulli (NEPC), Andrew Robinson (FAS), Kate Hoffman (LEG)

Call to Order

Sherri Crawford, Chair, called the meeting to order at 11:00 am.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the May 30, 2024 Investment Committee.

Motion:	Upon motion by <u>Sherri Crawford</u> , seconded by <u>Judith Blinder</u> , the Investment Committee approved the minutes from the May 30, 2024 Investment Committee meeting. The motion passed unanimously (6-0).
----------------	--

Real Estate Deep Dive

Mengfei Cao and Jason Malinowski reintroduced the Real Estate asset class, discussed the market environment, reviewed SCERS's Real Estate allocation and activity, provided a secondaries overview and recommended a commitment to Brookfield Real Estate Secondaries LP. Shelli Santulli, Senior Investment Director-Real Assets at NEPC, led the market environment discussion.

SCERS's allocation to Real Estate is currently 10.6%. The allocation is modestly below the target weight of 12%.

Mr. Strauss asked why the allocation dropped from 13.5% in 2022 to 11.3% in 2023. Ms. Cao explained that the drop was primarily due to investment performance with Real Estate experiencing negative performance in 2023 while the total portfolio increased in value. The situation is a reversal of what happened in 2022.

SCERS is gradually moving to a global real estate portfolio. Ms. Blinder asked why SCERS was using a US benchmark for a global portfolio. Ms. Cao responded that there is not a robust global benchmark at this time.

During the last twelve months, SCERS has committed \$30 million to Brookfield Strategic Real Estate Partners V and \$20 million to Angelo Gordon Europe Fund IV to continue growing the non-core real estate allocation to its target weight of 30% of the asset class. Staff will continue to evaluate the universe of European core/core-plus real estate managers to complete the globalization of the core allocation.

Mr. Malinowski introduced Ms. Santulli from NEPC to provide their real estate market update and answer questions from the committee.

Real estate appraisal values continue to fall, although the pace is slowing. Transaction volumes have started to increase in 2024 from very low levels in 2023. Most transactions are in the industrial and residential sectors where fundamentals are relatively strong. The office sector is more distressed with a vacancy rate of 20%. Retail has recovered since the pandemic due to no new retail being built. NEPC is cautious on apartments right now. The market has become more accepting that interest rates will be higher and not go back to zero.

Ms. Coe asked if there is pent-up demand for real estate transactions. Ms. Santulli responded that there is a lot of capital waiting on the sidelines and that 2024 and 2025 should be strong vintage years for non-core real estate.

Ms. Cao provided an overview of the secondary market, including their benefits and potential drawbacks for investors. A secondary is a transaction of a private market fund or asset where only a portion of its total ownership is transacted. Ms. Santulli commented that secondaries are increasingly attractive.

Real Estate Manager Commitment – Brookfield Real Estate Secondaries LP

Mengfei Cao and Jason Malinowski presented staff's recommendation for a \$20 million commitment to Brookfield Real Estate Secondaries LP ("Fund"), a global diversified real estate secondaries fund. SCERS is a longtime investor in Brookfield's opportunistic real estate strategy. NEPC concurred with this recommendation and has selected the fund as a preferred strategy on their Focused Placement List (FPL) strategy with a top rating of 1.

Ms. Cao reviewed the organization, team, investment strategy and investment rating matrix.

(12:25 pm – Jamie Carnell left the meeting.)

(12:30 pm – Dan Strauss stepped out of the meeting.)

Daniel Heffernan, Fabian Neuenschwander, and Alison Giampa, of Brookfield's Real Estate Solutions Group provided background information on the firm, reviewed the strategy and answered questions from the committee members.

(12:43 pm – Dan Strauss returned to the meeting.)

<u>Motion:</u>	Upon motion by Sherri Crawford, seconded by Joseph Hoffman, the Investment Committee recommended that the Board of Administration commit up to \$20 million to Brookfield Real Estate Secondaries LP, pending satisfactory legal review. The motion passed unanimously (5-0).
-----------------------	---

Quarterly Performance Review – Q1 2024

Rose Dean of NEPC reviewed SCERS's investment performance for the period that ended March 31, 2024.

The fund has returned 7.2% net of fees for the last 10 years, which is outperforming the Passive Reference Benchmark. In the one-year period which ended March 31, 2024, assets increased from \$3.75B to \$4.1B. The fund returned 11.3% for the one-year period and outperformed the Strategic Policy Benchmark by 0.3%.

As of March 31, 2024, the estimated actuarial funded status is 75.7%. The funded status from a market perspective, which reflects the market value of assets and revalues the liabilities based on current capital market assumptions is 80.7%.

Mr. Malinowski announced that Ms. Dean and her team will attend the July Investment Committee meeting in person.

Adjourn Meeting

The meeting was adjourned at 1:00 pm.



Seattle City Employees' Retirement System

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

Minutes, Thursday, July 25, 2024

IC Members Present: Sherri Crawford (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Dan Strauss, Kimberly Loving, Jamie Carnell

IAC Members Present: Joseph Boateng, Dwight McRae, Steve Hill

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

Others Present: Mike Monaco (MMPL), Rose Dean (NEPC), Daniel Hennessy (NEPC), Thao Nguyen (NEPC), Joe Ebisa (With.Intelligence), Lindsay Saienni (fin news), Andrew Robinson, Brighton Glassman

Call to Order

Sherri Crawford, Chair, called the meeting to order at 11:00 am.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the June 27, 2024 Investment Committee.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee approved the minutes from the June 27, 2024 Investment Committee meeting. The motion passed unanimously (7-0).

Jason Malinowski welcomed two members of NEPC's client coverage team, Rose Dean and Dan Hennessy, who are on-site for the Investment Committee meeting. They attended a mid-year planning session with the investment team the previous day that also included dinner with Mr. Davis and members of the Investment Advisory Committee.

Infrastructure Deep Dive

Leola Ross and George Emerson presented the annual deep dive of the Infrastructure asset class and briefly reviewed the market environment and SCERS's infrastructure allocation and activity.

SCERS has a current and target allocation to Infrastructure of 2.8% and 5.0%, respectively. Infrastructure is performing as expected and has provided the fund with solid and consistent returns. Current managers include Brookfield, Global Infrastructure Partners (GIP), Stonepeak, and Tiger Infrastructure Partners.

In January, BlackRock announced the acquisition of GIP for \$12.5 billion. This occurred in the midst of SCERS's contracting for GIP V, which the Board had approved in late 2023. SCERS staff decided to pause the contracting process for GIP V for a review of the transaction and to conduct further due diligence. NEPC reviewed the transaction and maintained GIP V with a rating of 1. SCERS staff determined that the rationale for investing in GIP V remained sound and in alignment with SCERS's infrastructure portfolio goals.

Ms. Blinder asked why GIP IV has performed below the expected range. Mr. Emerson replied that GIP IV is a 2019 vintage year fund, so performance is not very meaningful since it is still early in the fund's life.

In the last 12 months, SCERS has committed \$17.5 million to GIP V and \$20 million to Stonepeak Fund V. The asset class target allocation was increased from 4% to 5% as part of the 2023 asset/liability study. Looking forward, SCERS will commit additional capital to existing and prospective infrastructure managers and continue to monitor the market environment for emerging infrastructure sectors and themes.

Ms. Carnell expressed appreciation for the transparency of staff on the BlackRock acquisition of GIP and encouraged continued monitoring.

Private Equity Deep Dive

Mr. Malinowski and Dr. Ross presented the annual deep dive of the Private Equity asset class that included its portfolio allocation and activity, the denominator effect, and market environment and liquidity considerations.

Private equity is a critical return driver of SCERS's investment portfolio and has the highest expected return of any asset class although it is characterized by high volatility and sensitivity to economic growth, high fees, and low liquidity. The allocation has significantly increased over the last many years. SCERS has a current and target allocation of 12.9% (as of March 31, 2024) and 11%, respectively. SCERS allocation is mature and diversified.

SCERS invests with two multi-manager firms, Adams Street Partners and Horsley Bridge Partners, in the Private Equity asset class. During the last twelve months, SCERS committed \$30 million to Horsley Bridge Venture 15 and transitioned responsibility for private equity pacing from Adams Street Partners to NEPC. SCERS's multi-manager partners will continue to invest committed capital in underlying private equity funds and receive distributions from existing funds.

Mr. Malinowski provided more detail on the denominator effect. The denominator effect refers to unintended changes in a private market asset class allocation (in percentage terms) due to changes in the total portfolio's value. The denominator effect is primarily a timing issue that eases naturally over time. Staff manages the denominator effect by making stable private market capital commitments over time.

Ms. Dean and Mr. Hennessy reviewed the Private Equity market environment and liquidity considerations. Every year, NEPC conducts a pacing plan to guide future commitments to private market asset classes. The pacing plan seeks to maintain a consistent commitment pace, while being mindful of liquidity needs.

Private equity fundraising is down from its peak in 2021-2022. New deal activity has slowed meaningfully and exit activity has plummeted. As a result, private equity distributions are near historical lows. Private equity managers have begun to use creative ways to generate liquidity. Ms. Dean described the rationale and drawbacks of continuation funds and NAV financing.

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Dan Strauss, the Investment Committee voted to adjourn the meeting at 1:02 pm. The motion passed unanimously (7-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, August 29, 2024

IC Present: Sherri Crawford (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Jamie Carnell

IAC Present: Keith Traverse (Chair), Joseph Boateng, Cathy Cao, Dwight McRae, Steve Hill

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Rose Dean (NEPC), Daniel Hennessy (NEPC), Thao Nguyen (NEPC), Andrew Robinson (FAS), Joe Ebisa (With.Intelligence)

Call to Order

Sherri Crawford, Chair, called the meeting to order at 11:00 am.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the July 25, 2024 Investment Committee.

Motion: Upon motion by Sherri Crawford, seconded by Maria Coe, the Investment Committee approved the minutes from the July 25, 2024 Investment Committee meeting. The motion passed unanimously (5-0).

Quarterly Performance Review – Q2 2024

Rose Dean and Daniel Hennessy of NEPC reviewed performance for the period that ended June 30, 2024.

Gross performance over the last 30 years is 7.1%, above the assumed rate of return of 6.75%. The return net-of-fees for the last 10 years is 6.9%, which is also above the assumed rate of return and is outperforming the Passive Reference Benchmark.

For the one-year period ending June 30, 2024, the fund returned 9.2% net of fees, outperforming the Strategic Policy Benchmark by 0.2%. Assets increased from \$3.85 billion one year ago to \$4.15 billion for the period ending June 30, 2024.

On an actuarial basis, the funded status is estimated at 75.9%. On a market basis that revalues the liability based on NEPC's portfolio return assumption as of June 30, 2024, the funded status is 80.4%.

Credit Fixed Income Deep Dive

George Emerson and Mengfei Cao presented the annual deep dive of the Credit Fixed Income asset class and provided background information, including its role in the total portfolio and its attributes.

SCERS has an allocation of 7.1% to Credit Fixed Income as of June 30, 2024 which is in line with the target weight of 7.0%. SCERS's Credit Fixed Income portfolio has performed in line with the asset class index. Private Credit has materially outperformed Public Credit over intermediate-term periods.

Over the last year, SCERS committed \$30 million to Monarch Capital Partners VI following a comprehensive evaluation of opportunistic and distressed managers and updated the Credit Fixed Income sub-asset class allocation by eliminating the 20% allocation to bank loans and increasing private credit by 20% (to 60%). NEPC developed a pacing plan for private credit. Staff will continue evaluating private credit managers to further diversify into other strategies and asset types.

Ms. Coe asked if SCERS has experienced any borrower defaults. Mr. Emerson stated that funds are managed by professional investment managers rather than SCERS loaning money directly. It is expected that a small percentage of borrowers will default but that the associated losses would be more than offset by the high interest rates earned overall. Mr. Emerson gave an example of a borrower default in the Ashmore emerging market debt strategy where SCERS recently redeemed.

Mr. Traverse stated that it seems to be a better time to be borrower due to the explosion of private credit lenders. Ms. Dean added that banks are lending less, and you need to jump through more hoops to borrow from a bank. Mr. Malinowski acknowledged the point and that SCERS has generally avoided areas with the greatest competition, such as direct corporate lending in the United States.

Mr. Traverse asked about how PIMCO manages redemptions in its open-end private credit vehicle. Mr. Emerson replied that if a participant wishes to redeem, PIMCO will carve off the participant's pro-rate share from the fund. There will be no new investments from that allocation and distributions will be provided to the redeeming participant as investments mature.

Credit Fixed Income Manager Recommitment – Arcmont Direct Lending V

Staff recommended a commitment of up to \$40 million to Arcmont Direct Lending Fund V ("DLF V"), a private credit strategy focused on lending to European middle-market companies. DLF V is managed by Arcmont Asset Management Limited ("Arcmont"), a UK-based asset manager and a majority-owned subsidiary of Nuveen Asset Management. This recommendation is consistent with the Board's adopted strategic asset allocation that includes a 7% target weight to credit. DLF V would be SCERS's fourth allocation to Arcmont.

NEPC concurred with this recommendation. NEPC is in the final stages of evaluating DLF V for its Focused Placement List (FPL). Mr. Hoffman asked if it was normal for a recommended manager not to have an NEPC rating. Mr. Emerson replied that NEPC has a long history with this manager and have recommended several of their prior funds. Mr. Hennessy of NEPC stated that he fully expects that this fund will be on NEPC's FPL as well. Mr. Malinowski added that there never has been a requirement that NEPC formally recommend each investment.

There was discussion on Arcmont being purchased by Nuveen Asset Management in 2023. Arcmont management continues to retain an ownership stake and its team is intact.

(12:25 pm – Jamie Carnell left the meeting)

Motion: Upon motion by Sherri Crawford, seconded by Maria Coe, the Investment Committee recommended that the Board of Administration commit up to \$40 million to Arcmont Direct Lending V, pending satisfactory legal review. The motion passed unanimously (4-0).

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Maria Coe, the Investment Committee voted to adjourn the meeting at 12:30 pm. The motion passed unanimously (4-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, September 26, 2024

IC Members Present: Sherri Crawford (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Jamie Carnell, Kimberly Loving

IAC Members Present: Dwight McRae

SCERS Staff Present: Jeff Davis, Jason Malinowski, Paige Alderete, Nina Melencio, Leola Ross, George Emerson

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Rose Dean (NEPC), Joe Ebisa (With.Intelligence), Mary Ellen Cagnassola (With.Intelligence), Daniel Hennessy (NEPC), Zack Cziryak (Fin News), Andrew Robinson (FAS), Thao Nguyen (NEPC), Vanessa Loud (SDOT)

Call to Order

Sherri Crawford, Chair, called the meeting to order at 11:00 am.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the August 29, 2024 Investment Committee.

Motion: Upon motion by Sherri Crawford, seconded by Maria Coe, the Investment Committee approved the minutes from the August 29, 2024 Investment Committee meeting. The motion passed unanimously (6-0).

Real Estate Manager Recommitment – Sculptor Real Estate Fund V

Jason Malinowski provided staff's recommendation to commit up to \$20 million to Sculptor Real Estate Fund V ("Sculptor V" or "Fund"), a sector diversified non-core real estate strategy that is primarily focused on the United States. Sculptor V is managed by Sculptor Capital Management ("Sculptor"). SCERS had previously committed \$17.5 million to Sculptor Real Estate Fund IV. NEPC concurs with this recommendation and has selected Sculptor V as a preferred strategy on their Focused Placement List (FPL) strategy with a top rating of 1.

One of the biggest changes since SCERS invested in Fund IV is with respect to the firm's ownership. Sculptor has recently become a wholly owned subsidiary of Rithm Capital Corporation, which was a positive resolution to a challenging situation with the firm's founder and former CEO.

Ms. Blinder stated the larger size of the fund stood out and it may take them longer to invest. Ms. Carnell expressed appreciation with staff for being transparent about the organization and doing their research.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee recommended that the Board of Administration commit up to \$20 million plus applicable management fees to Sculptor Real Estate Fund V, pending satisfactory legal review. The motion passed unanimously (6-0).

Public Equity Deep Dive

Leola Ross provided a deep dive discussion on the Public Equity asset class including a reintroduction to the asset class, a discussion of the market environment, and a review of the portfolio role, size, strategy, investment managers, and performance.

The primary role of Public Equity in the portfolio is to access global growth and drive the return of SCERS's investment portfolio, which is demonstrated by its large current and target allocations of 46.4% and 46%, respectively. The total return of the Public Equity asset class has been very strong over the short and long-term with performance closely tracking the index.

Ms. Blinder asked if active management was worth it if the asset class was tracking so close to the index. Dr. Ross responded that in some areas of the market it is difficult to get the index return. Mr. Malinowski added that the Public Equity allocation is predominantly passively managed.

Dr. Ross discussed the Japan macro environment and how it contributed to poor relative performance for the ABS Japan Strategic Portfolio. ABS restructured the portfolio in early 2024 based on feedback from SCERS to reduce its factor tilts. SCERS continues to monitor the strategy and thesis for Japan active management.

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Maria Coe, the Investment Committee voted to adjourn the meeting at 12:00 pm. The motion passed unanimously (6-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, October 31, 2024

IC Members Present: Sherri Crawford (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Kimberly Loving

IAC Members Present: Joseph Boateng, Dwight McRae

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Joe Ebisa (With Intelligence), Rose Dean (NEPC), Daniel Hennessy (NEPC), Mary Ellen Cagnassola (With Intelligence), Lindsay Saienni (Fin News), Andrew Robinson (FAS), Thao Nguyen (NEPC)

Call to Order

Sherri Crawford, Chair, called the meeting to order at 11:00 am.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the September 26, 2024 Investment Committee.

Motion: Upon motion by Sherri Crawford, seconded by Joseph Hoffman, the Investment Committee approved the minutes from the September 26, 2024 Investment Committee meeting. The motion passed unanimously (5-0).

NEPC and Hightower Announcement

Rose Dean of NEPC shared an announcement related to Hightower Advisors. NEPC partners agreed to accept Hightower Advisors' offer to acquire a majority stake in NEPC. There will be no meaningful back or front office integration with Hightower. SCERS will maintain the same NEPC service team.

Ms. Blinder asked how SCERS staff felt about the change. Mr. Malinowski replied that staff are reviewing the transaction since this was just announced the previous week. He will update the committee members at a future Investment Committee meeting.

Mr. Hoffman asked if NEPC considered other firms and if NEPC disclosed this change to SCERS during the RFP process. Ms. Dean replied that Hightower approached NEPC. She is not sure when this approach was made. NEPC was under strict non-disclosure agreement with Hightower so could not have shared this information.

Overlay Deep Dive

Jason Malinowski presented a deep dive of SCERS's overlay program which is covered every other year. SCERS has had an overlay program in place since 2014.

Russell Investments manages SCERS's overlay program where they monitor future cash flows and trade, as required, to invest idle cash and perform portfolio rebalancing. The overlay program is expected to increase performance incrementally over the long-term by keeping the portfolio fully invested. The program allows for more efficient rebalancing and portfolio transitions.

Ms. Crawford asked why the portfolio is rebalanced monthly due to fluctuations in the market. Mr. Malinowski explained that SCERS's portfolio should reflect the strategic asset allocation as closely as possible. There is no downside to monthly rebalancing because transaction costs are minimal with the overlay program. Mr. Malinowski and Leola Ross talked about rebalancing during the COVID pandemic in March 2020 that showed the benefit of having a systematic rebalancing process.

NEPC has historically reported on the overlap program by reallocating its performance to each asset class represented in the program. Staff and NEPC are recommending a change to this approach retroactively to report on the overlay program on a standalone basis. This change would align with the reporting approach for most other NEPC clients and would simplify NEPC's performance reporting process. The change would be reflected in the Q3 2024 Performance Report and not impact SCERS's portfolio performance.

The IAC recommended reviewing the use of transition management in its 2023 annual report. Staff are currently conducting this review and will report back to the IAC.

Cost Effectiveness and Fee Analysis

Jason Malinowski presented the Cost Effectiveness and Fee Analysis which detailed the investment costs incurred across the portfolio and evaluated their cost effectiveness. SCERS's accounting team works closely with BNY Mellon in tracking direct manager costs including management fees, performance fees, and fund expenses. SCERS then submits this cost data to an annual survey conducted by CEM Benchmarking.

Investment-related costs for 2023 were \$25.1 million (0.68% of fund assets), including \$23.0 million (0.62%) in investment manager fees and \$2.1 million (0.06%) in other costs. SCERS investment-related costs are comparable to other US public pensions as a percentage of fund assets. Over the last ten years, SCERS has outperformed on a net-of-fees basis the Reference Passive Benchmark that represents an investable portfolio that is available at a very low cost.

Ms. Dean provided NEPC's perspective, noting that it is important to monitor costs and to understand that asset allocation decisions drive fees.

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee voted to adjourn the meeting at 12:11 pm. The motion passed unanimously (5-0).



Seattle Retirement

Seattle City Employees' Retirement System

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

Agenda, Thursday, November 21, 2024

IC Members Present:	Judith Blinder (Chair), Maria Coe, Joseph Hoffman, Jamie Carnell, Kimberly Loving
IAC Members Present:	Keith Traverse (Chair), Dwight McRae, Steve Hill, Joseph Boateng, Cathy Cao
SCERS Staff Present:	Jeff Davis, Jason Malinowski, Paige Alderete, Leola Ross, Mengfei Cao, George Emerson, Mark Schimizzze, Nina Melencio
Others Present:	Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Rose Dean (NEPC), Kevin Balaod (With Intelligence), KC Connor (NEPC), David Hennes (NEPC), Lindsay Saenni (Fin News), Thao Nguyen (NEPC), Andrew Robinson (FAS); Dennis Onderick (BNY)

Call to Order

Judith Blinder, Chair, called the meeting to order at 11:00 am.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the October 31, 2024 Investment Committee.

<u>Motion:</u>	Upon motion by <u>Judith Blinder</u> , seconded by <u>Maria Coe</u> , the Investment Committee approved the minutes from the October 31, 2024 Investment Committee meeting. The motion passed unanimously (5-0).
-----------------------	--

Investment Advisory Committee Member Recognition – Joseph Boateng

Joseph Boateng, Investment Advisory Committee (IAC) member, will be leaving the IAC when his term expires at the end of the year. Mr. Boateng was recognized for serving 17 years on the committee. Mr. Boateng was thanked for all he has done for the Seattle City Employees' Retirement System in service to its mission. Mr. Davis shared a statement from Sherri Crawford, Investment Committee Chair.

Mr. Malinowski stated that it has been a privilege to work with Mr. Boateng for 10 years. Mr. Boateng is a towering figure in the investment community and has unparalleled knowledge of investment managers. He has been a tremendously valuable resource to staff and will be sorely missed.

Keith Traverse, IAC chair, thanked Mr. Boateng on behalf of the IAC. Mr. Traverse described Mr. Boateng as the consummate professional who sets the standard.

Mr. Boateng said that it has been a privilege and honor to be of service to SCERS and that he looks forward to contributing in other ways.

Quarterly Performance Report

Rose Dean, NEPC, reviewed the performance report for the period that ended September 30, 2024 and answered questions from the committee members. Ms. Dean introduced KC Connors, NEPC Chief Consulting Officer who will provide NEPC's perspective on their acquisition by Hightower later on the agenda.

For the one-year period ending September 30, 2024, the fund returned 17.1% net of fees, outperforming the Strategic Policy Benchmark by 0.3%. Assets increased from \$3.75 billion one year ago to \$4.35 billion. On an actuarial basis, the funded status is estimated at 76.3%. On a market basis that revalues the liability based on NEPC's portfolio return assumption as of September 30, 2024, the funded status is 83.1%.

Mr. Traverse asked why there was only a slight decline in NEPC's portfolio return assumption over the last year given the very strong performance of the public equity market. Mr. Malinowski responded that this return assumption is over a 30-year horizon, so it tends to be fairly stable.

Ms. Blinder asked NEPC to explain two charts on the market environment included in the meeting materials.

Hightower Acquisition of NEPC

Jason Malinowski gave staff's perspective on Hightower Advisor's ("Hightower") acquisition of NEPC. As background, Hightower announced in October that it is acquiring an 80% ownership stake in NEPC from the NEPC partner group who will collectively own the remaining 20% of the firm. NEPC has served as SCERS's investment consultant since 2014. SCERS's contract with NEPC runs through June 30, 2029, although SCERS has the right to terminate the contract at any time for any reason. Hightower is a registered investment advisor owned by a private equity fund managed by THL.

Staff have a negative view of Hightower's acquisition of NEPC due to potential concerns that would be expected to play out over the next several years. Specifically, staff are concerned that the acquisition may lead to increased team turnover, de-prioritization of NEPC's advisory consulting clients, and a heightened risk of business instability.

Staff were surprised by news of the acquisition since NEPC had diversified ownership across the partners and prided themselves on being an employee-owned firm. While there has been ongoing consolidation within the investment consulting industry, staff felt that NEPC was more likely to be an acquirer rather than be acquired itself. The investment consulting industry remains in a period of flux. It is possible that other independent firms get acquired, similar to NEPC.

The acquisition is expected to close in the first quarter of 2025. Mr. Malinowski and Dr. Ross met with Mike Manning, NEPC Managing Partner, regarding the acquisition. Staff plan to closely monitor NEPC and provide future updates to the Investment Committee, as needed.

Ms. Blinder stated that the staff update was clear, and she had no questions.

Ms. Dean responded to staff's comment about increased team turnover by stating that there is a low probability of her leaving the firm. Ms. Connors added that NEPC continues to promote individuals to partner, and the acquisition presented an opportunity to rebalance the partnership to give greater ownership to newer partners.

Investment Operations Model

George Emerson, Mengfei Cao, and Mark Schimizza provided an overview of the investment operations model which involves investment and accounting staff, the custodian bank (BNY), and the investment consultant (NEPC). The IAC had recommended reviewing the investment operations model with the Investment Committee in its 2023 Annual Report.

Staff reviewed manager onboarding, trading, reconciliation and reporting, and other operational items. Staff shared takeaways from a survey that was conducted of six other pension plans. SCERS has a straightforward investment operations model that is consistent with industry standards.

Dennis Onderick, of BNY, also provided an overview of BNY's services to SCERS.

Mr. Traverse asked if SCERS requires that investment managers reconcile with BNY each month. Staff responded that a cash reconciliation is performed monthly between the investment manager and BNY for separately managed accounts. SCERS's accounting team also reflects the valuation for every investment account in the general ledger.

(12:06 pm – Kimberly Loving left meeting).

Mr. Traverse asked about the guidelines for reinvestment in the securities lending program and whether BNY indemnifies SCERS for a default. Staff responded that BNY does indemnify SCERS for a counterparty default. SCERS has a conservative securities lending program that invests cash collateral in government bonds or associated repurchase agreements and also accepts these securities as collateral.

Ms. Carnell and Ms. Blinder expressed appreciation for the work that was done to compare SCERS's operations to other pension plans.

Adjourn Meeting

<u>Motion:</u>	Upon motion by <u>Judith Blinder</u> , seconded by <u>Joseph Hoffman</u> , the Investment Committee voted to adjourn the meeting at 12:44 pm. The motion passed unanimously (4-0).
-----------------------	--