



Seattle City Employees' Retirement System

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

Minutes, Thursday, February 23, 2023

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

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

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

Others Present: Mike Monaco (MMPL), Matt Courtois (FAS), Allan Martin and Robert Goldthorpe of NEPC, Kevin Balaod (With.Intelligence)

Call to Order

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

Public Comment

There was no public comment.

Minutes

Approved Minutes from the January 26, 2023 Investment Committee.

Motion: Upon motion by Sherri Crawford, seconded by Jamie Carnell, the Investment Committee approved the minutes from the January 26, 2023 Investment Committee meeting. The motion passed unanimously (3-0).

NEPC Field Consultant Update

Don Stracke is no longer with NEPC. Allan Martin will take over as SCERS's primary field consultant and Mike Malchenko will continue in his current role as secondary field consultant and reporting specialist.

(12:06 pm – Judith Blinder joined the meeting.)

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 27, 2023 Investment Committee meeting. Mr. Traverse, chair of the IAC,

presented the 2022 IAC Annual Report which included: major developments for SCERS in 2022; fund performance as of Q3 2022; IAC's 2022 activities, strategic guidance; and IAC's recommendations for 2023.

The IAC offers strategic guidance that is intended to endure over the long-term. Mr. Traverse discussed the guidance in 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 2023 fall under the following priority areas:

- Governance
- Asset Allocation
- Private Investments
- Climate Change

Jason Malinowski noted that Jeff Davis met with the IAC last week regarding the staff response to the IAC Annual Report that is included in the Investment Committee packet. The IAC's strategic guidance and recommendations continue to be helpful for SCERS in planning and prioritization.

Quarterly Performance Review – Q4 2022

Mr. Martin of NEPC reviewed SCERS's preliminary investment performance for the period that ended December 31, 2022. SCERS returned -10.0% net-of-fees for 2022, underperforming the strategic policy benchmark by 0.8% and outperforming the passive reference benchmark. Assets decreased from \$4.08 billion to \$3.64 billion over the last year.

Investment Outlook and Capital Market Assumptions – NEPC

Mr. Martin reported on NEPC's 2023 Investment Outlook and Capital Market assumptions and answered questions from the committee members.

Expected returns increased substantially over 2022 due to higher interest rates and lower market valuations. SCERS portfolio has an expected return of 6.7% for the 10-year period and 7.5% for the 30-year period, which are up from 5.5% and 6.8%, respectively.

NEPC's key market themes entering 2023 are stagflation trends, recession outlook, European energy transition, China reopening, and U.S. Dollar trajectory. Mr. Martin briefly provided a description and potential outcomes of each theme.

Funded Status Monitor – NEPC

Robert Goldthorpe of NEPC reviewed the Funded Status Monitor. Mr. Malinowski stated that this work is based on a recommendation from the IAC. The monitor includes a market-based funded status that compares the market value of assets to the "market" liability that discounts future benefit obligations based on current capital market assumptions.

As of December 31, 2022, the actuarial funded status is 75.7% and the market funded status is 76.1%. This information will be provided quarterly and will be incorporated in the asset-liability study during 2023.

Adjourn Meeting

Motion: Upon motion by Jamie Carnell, seconded by Sherri Crawford, the Investment Committee voted to adjourn the meeting at 1:36 pm. The motion passed unanimously (4-0).