



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 MCSI'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).