



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 Schimizza

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).