



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 Schimizza

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).