



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).