Seattle Retirement
Seattle City Employees' Retirement System

Investment Committee Meeting

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

Minutes, Thursday, May 28, 2026

IC Members Present:	Sherri Crawford (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Dwight Dively, Kimberly Loving
IAC Members Present:	Keith Traverse (Chair), Cathy Cao, Dwight McRae, Lauren Thompson
SCERS Staff Present:	Jeff Davis, Jason Malinowski, Paige Alderete, Mengfei Cao, George Emerson, Nina Melencio, William Kee
Others Present:	Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Rose Dean (NEPC), Dan Hennessy (NEPC), Thao Nguyen (NEPC), Kevin Balaod (With.Intelligence), Lindsay Saienni (Fin News), Wyatt Smith

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 April 30, 2026 Investment Committee Meeting.

Motion:	Upon motion by Sherri Crawford, seconded by Maria Coe, the Investment Committee approved the minutes from the April 30, 2026 Investment Committee Meeting. The motion passed unanimously (6-0).

Quarterly Performance Review – Q1 2026

Rose Dean of NEPC reviewed SCERS's investment performance for the period that ended March 31, 2026.

The fund returned 6.9% gross of fees, over the last 30 years, compared to the assumed rate of return of 6.75% and has returned 8.6%, net of fees, over the last 10 years. In the one-year period which ended March 31, 2026, the fund returned 13.7% outperforming the Strategic Policy Benchmark by 0.7%.

As of March 31, 2026, the estimated actuarial funded status is 79.8%. The funded status from a market perspective, which reflects the market value of assets and revalues the liabilities based on current capital market assumptions is 82.8%. The total fund is at $4.9 billion.

<u>Investment Risk Annual Review</u>

Jason Malinowski presented the annual Investment Risk Review and provided background and context; reintroduced investment risk measures; identified key takeaways; and discussed liquidity risk. The review has been conducted annually since 2018 and was initially based on the recommendation of the Investment Advisory Committee. Mr. Malinowski also presented the special topic of currency risk.

Mr. Malinowski reviewed different perspectives on investment risk, including plan risk, portfolio risk and benchmark relative risk. The conventional view of risks is losing money, although it is a bit more complicated than that. The most important risk to SCERS's mission is plan level risk which is the risk that SCERS's investment portfolio does not keep pace with the system's liabilities.

Key takeaways of the annual investment risk review were provided related to dimensions including plan risk, market risk, concentration risk, liquidity risk, equity risk, interest rate risk, benchmark risk and peer risk. The actuarial funded status in the base case is projected to increase from 80% as of January 1, 2026 to 89% over the next 10 years due to paying down the unfunded liability. There is significant uncertainty in this projection that will depend primarily on future investment performance. For example, there is a 25% probability that the funded status will be below 75% and a 5% probability that it will be below 60% in 10 years.

Mr. Malinowski presented the special topic of currency risk to address a recommendation by the Investment Advisory Committee (IAC). SCERS faces currency risk due to its asset-liability profile. Liabilities are fully denominated in US Dollars and assets are invested globally, consisting of investments denominated in US Dollars and other international currencies. Investments denominated in currencies other than US Dollars represents 29% of SCERS's total portfolio. The Euro is the largest currency exposure at 7.7%, which is reduced to 5.8% after incorporating currency hedging.

Joseph Hoffman, Keith Traverse and Mr. Malinowski engaged in a discussion on the nature of currency risk in the equity portfolio.

(12:10 pm – Dwight Dively left the meeting)

<u>Operational Due Diligence Primer</u>

Mengfei Cao presented the Operational Due Diligence (ODD) Primer and provided background/context, described SCERS's process, and presented a case study. IAC recommended in its 2025 annual report that staff and NEPC outline their approach to ODD for investment managers.

SCERS's ODD process involves Castle Hall, its primary due diligence partner, and SCERS's Investment and Accounting staff and NEPC

Castle Hall provides ODD, reputational due diligence and annual audited financial statement review for SCERS. SCERS Investment staff oversee the ODD process, perform onsite due diligence meetings and reference calls. They are supported by the accounting staff who review the manager fees. NEPC does background checks for key personnel of investment managers on their Focused Placement List.

SCERS has a very low tolerance for operational risk and will not move forward with recommending a manager if the manager is determined to have high operational risk. SCERS incorporates ODD into ongoing manager monitoring. Staff engage directly with managers to understand and address issues or concerns that may arise.

ODD is a critical component of SCERS's investment process aimed at minimizing exposure to uncompensated operational risks. It is integrated in both manager selection and monitoring. SCERS has developed a cost-effective model appropriate for its size.

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee voted to adjourn the meeting at 12:36 pm. The motion passed unanimously (5-0).