



Seattle City Employees' Retirement System

Board of Administration Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
(206) 386-1293

Minutes, Thursday, August 11, 2022

Board Members Present: Robert Harvey, Jr. (Chair), Judith Blinder, Jamie Carnell, Lou Walter, Kimberly Loving, Sherri Crawford

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, Mengfei Cao, Mark Schimizza, Selam Teklemariam, Leola Ross

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Kevin Balaod (With Intelligence), Mike Nagan (ARSCE), Lauren Albanese (Fin News), Matt Courtois (FAS)

Call to Order

Robert Harvey, Jr., Chair, called the meeting to order at 10:00 am

Jeff Davis introduced Jamie Carnell as SCERS's new trustee.

Public Comment

Mr. Davis stated that SCERS received written public comment from Aneta Molenda and Sara Perl Egendorf. Both expressed concerns with large rent increases at their Brooklyn apartment buildings that are owned by an operating partner of Caryle. Staff will reach out to Caryle and give the Board an update as part of the Q3 2022 ESG Update.

(10:01 a.m.- Sherri Crawford joined the meeting.)

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the July 14, 2022 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$22,681,307.80
Office Payroll	397,046.20
Admin Expenses	299,615.67
Investment Expenses	696,774.59
Total Expenses – July 2022	\$24,074,744.26

**Includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – July 2022			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	31	\$95,863.28	\$2,414,142.27
Withdrawals	41	n/a	\$1,354,855.20

Motion: Upon motion by Judith Blinder, seconded by Lou Walter, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (6-0).

SCERS 2021 Annual Report to Members – Staff

Paige Alderete and Mark Schimizza presented the 2021 Annual Report to Members which provides a summary of SCERS's financial health, investment performance and key accomplishments for the last calendar year.

Benefits paid to retirees was \$223 million in 2021 compared to \$214 million in 2020. In 2021, the fund had 19,619 members up from 19,356 in 2020.

By the end of 2021, SCERS was managing \$4.1 billion in investments compared to \$3.4 billion in 2020. Funding status is steadily increasing. The funding status as of 2021 was 75%, up from 71.6% in 2020. Over the last five years, SCERS's investments have performed similar to the benchmark that reflects the target strategic allocation. SCERS plans on being full funded by 2042.

The Member Self-Service Portal was rolled out in 2020. By the end of 2021, there were over 7,100 members using the portal which is 3,000 more users than in 2020. The portal provides members with direct access to their retirement information, including a benefit calculator which calculates an unmodified benefit. In future years, there are plans to make the calculator more robust by providing an estimate for other options.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration accepted and approved the 2021 Annual Report for Members as presented by Seattle City Employees' Retirement System Staff. The motion passed unanimously (6-0).

Investment Committee Report – July 28, 2022

Jason Malinowski reported on the July 28, 2022 Investment Committee meeting. There were two agenda items.

Sara Samuels of NEPC presented on NEPC's manager research framework. Leola Ross and Mengfei Cao provided a deep dive into the public equity asset class.

Staff recommended closing the global equity account managed jointly by PIMCO and Research Affiliates, which represents \$174 million as of June 30, 2022.

(10:20 am – Lou Walter left the meeting.)

The primary reason for this recommendation is that the strategy has a deep value tilt, which makes it suboptimal given a desire to have a more factor-neutral public equity allocation. There are also manager-specific concerns including turnover on the Research Affiliates team, weaknesses identified in the investment process, and complexities introduced by the partnership between PIMCO and Research Affiliates. The redemption proceeds will be invested passively through the Russell overlay program while staff and NEPC conduct a manager search.

NEPC concurred with staff's recommendation.

Motion: Upon motion by Sherrri Crawford, seconded by Judith Blinder, the Board of Administration accepted the Investment Committee's recommendation to close the PIMCO Research Affiliates Enhanced Equity account. The motion passed unanimously (5-0).

Administrative Committee Report – July 28, 2022

Mr. Davis reported on the July 28, 2022 Administrative Committee (AC) meeting. There were three agenda items: discussion on committee chair assignments, SCERS Staff Engagement and Satisfaction survey results; and a discussion on New Trustee Onboarding.

The committee discussed a process to formally appoint committee chairs. Terms for the chairs of the Investment Committee and Administrative Committee would be two years starting on January 1st. A process would be run in the fall by the AC.

Staff shared the results of the 2022 Staff Engagement and Satisfaction Survey. The last survey was conducted in 2019. Results for 2022 were slightly lower than in 2019. Management is working with staff to address stress and frustration due to workload.

There was a discussion about the New Trustee Onboarding process, including putting more of an emphasis on fiduciary responsibility and the distinction between what the Board does and what staff do. The changes were implemented with Jamie Carnell's onboarding process.

Ms. Carnell stated that the onboarding was very thorough.

Executive Director Update

Mr. Davis shared that the Experience Study was updated earlier in 2022. Changes to the assumptions take effect January 1, 2023. These changes will have some impact on members who are looking to retire in 2023, particularly those who qualify for 2x match. The changes do not impact members who have already retired.

Paige Alderete stated that SCERS is already proactively communicating with members regarding the assumption changes. A detailed notice and FAQs have been added to the SCERS website to help members understand the upcoming changes and assess if they will be impacted. The new assumptions were added to V3 as soon as they were received from the actuaries, ensuring estimates reflected the changes to members earlier than ever before. Staff are also communicating directly with the members who are the most impacted.

(10:29 a.m. – Lou Walter rejoined the meeting.)

The biggest impact is on Plan 1 members who have 2x match benefit. The City matches projected contributions with 2x match benefit (annuity). It is a more generous benefit and relies on the mortality table and assumed rate of return. The rate of return has decreased from 7.25% to 6.75%. That decrease has an impact. Options for these members includes to retire earlier (prior to January 1, 2023), to work longer, or to accept the change in their estimated benefit.

Quasi-judicial/Expected Litigation to review Disability Retirement Application

Quasi-judicial/expected litigation to review a Disability Retirement Application began at 10:34 am and is expected to last 20 minutes.

The board return to public session at 10:42 a.m.

Motion: Upon motion by Lou Walter, seconded by Kimberly Loving, the Board of Administration affirmed the conclusion of the independent medical examination and approved the retirement disability application of Cheryl Burwell. The motion passed unanimously (6-0).

Adjourn Meeting

Motion: Upon motion by Sherry Crawford, seconded by Judith Blinder, the Board of Administration voted to adjourn the meeting at 10:43 a.m. The motion passed unanimously (6-0).