



# Seattle City Employees' Retirement System

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

## Minutes, Thursday, February 9, 2023

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

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

**Others Present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Matt Courtois (FAS), Kevin Balaod (With.Intelligence), Edie Jorgensen (ARSCE), Craig Muska, Elizabeth Paschke (ARSCE), John Masterjohn (ARSCE)

### Call to Order

Judith Blinder, Chair, called the meeting to order at 10:05 am.

### Public Comment

There was no public comment.

### Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the January 12, 2023 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

<b>The following items represent normal expenses:</b>	
Pension Payroll	\$22,243,508.78
Office Payroll	263,193.28*
Admin Expenses	473,839.31
Investment Expenses	0
<b>Total Expenses – January 2023</b>	<b>\$22,980,541.37</b>

*\*Includes estimated benefit costs*

<b>Retirements, Withdrawals, Other Payouts – January 2023</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	38	\$164,349.03	\$3,101,911.46
Withdrawals	15	n/a	\$309,038.78

**Motion:** Upon motion by Sherri Crawford, seconded by Kimberly Loving, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (4-0).

### **2022 SCERS Progress Report**

Jeff Davis, Paige Alderete, and Jason Malinowski reviewed the 2022 SCERS Progress Report. The report provided an overview of SCERS's 2022 activities and how they align with the overarching goals established by the SCERS Board of Administration.

Investment performance has met or closely trailed each of the investment objectives in terms of total return net of investment manager fees. The return for the 30-year time period is 7.0% which is higher than the current actuarial rate of return of 6.75%. The fund outperformed the reference passive benchmark by 1.6% for the 10-year period. Over a 5-year period, the fund underperformed the strategic policy benchmark by 0.1%. The funding ratio is approximately 70% based on the market value of assets as of December 31, 2022. This compares to the funding ratio of 84% as of December 31, 2021.

***(10:11 am – Robert Harvey, Jr. joined the meeting and took over Chair duties.)***

There was discussion on how the funding ratio is calculated due to the return assumption rate being lowered during 2022 to 6.75%.

SCERS enhanced the environmental, social, and governance (ESG) program and updated the ESG policy to integrate all financially-material ESG risks and opportunities, add policy advocacy to the climate action positive action strategy and add a diversity, equity, and inclusion (DEI) positive action strategy.

In 2022, member services staff completed significantly more services for members than in the prior year by at least 2,000. SCERS sent out the second annual member satisfaction survey. Key takeaways from the results of the survey are that members are more satisfied but there is still more work to be done on responsiveness and turnaround time.

SCERS offered most staff a hybrid work arrangement for 2022. In March 2022, staff were asked to return to the worksite at least one (1) day per week and in November 2022, staff were asked to work onsite at least two (2) days per week.

Beginning June 2022, in-person Board meetings were made available. The Pacific Building's front doors remained locked, but are required to be unlocked for Board, Investment Committee, and Administrative Committee meetings.

Members of the Board congratulated Jason Malinowski, Leola Ross, and Mengfei Chao for their achievements during 2022. Mr. Malinowski was named a finalist for the 2022 CIO Industry Innovation Award. Ms. Ross was named co-chair of the Western North American chapter for the Principles for Responsible Investing and was also identified as one of the top 23 allocators in ESG & Sustainable Investing by Kayo, a community of women institutional investors. Ms. Cao obtained the Certificate in ESG Investing from the CFA Institute and was selected as a John W. Koza Leadership Fellow by the Pension Real Estate Association.

### **Investment Committee Report – January 26, 2023**

Jason Malinowski reported on the January 26, 2023 Investment Committee meeting. There were two agenda items. Staff gave their annual presentation looking back at activity from the prior year and what the team is planning for in 2023. NEPC provided a timeline for the Asset Liability Study that will be conducted in 2023. The last study was conducted in 2019.

### **Administrative Committee Report – January 26, 2023**

Jeff Davis reported on the January 26, 2023 Administrative Committee meeting. There were three agenda items.

The committee reviewed and discussed the board self-evaluation questions. They are working to clarify some of the questions and the board self-evaluation will be addressed at a future meeting. The committee also discussed the 2022 Executive Director evaluation timeline. The committee reviewed the process for selecting an At-Large Trustee since Mr. Harvey will be stepping away when his term ends on June 30, 2023. Applications are accepted through March 15, 2023. Staff will do some internal paring down before bringing the applications to the Administrative Committee at its March meeting.

### **Final Pro-Rate Payouts Clean-Up**

Ms. Alderete and Mike Monaco provided information on SCERS's current final pro-rate payouts clean-up project. The project tackles final payments due to members who passed away and no longer have an open estate to which SCERS can issue the payment.

In cases where a member's estate is closed and the claimant cannot use the small estate affidavit, the Seattle Municipal Code (SMC) allows the Board to authorize payment to an heir who would inherit if the estate were probated, such a surviving spouse named under a community property agreement or in the member's will.

The Board voted and provided staff with the authorization needed to keep moving forward with paying out these final pro-rated benefits.

**Motion:** Upon motion by Sherrri Crawford, seconded by Jamie Carnell, the Board of Administration delegated authority to Seattle City Employees' Retirement System staff to process final benefit payments after a member's death to a member's heir, in accordance with Seattle Municipal Code 4.36.680(C)(3). The motion passed unanimously (5-0).

### **Executive Director Update**

Mr. Monaco provided a legal update to SECURE Act 2.0. He is working on issues related to the Act that was passed on December 29, 2022. It includes a wide variety of provisions to retirement plans, but only a few have applicability to SCERS. The Act allows retirement plans to increase the triggering age to be required to take their pension benefits. Another aspect of the Act is related to overpayments. Congress dramatically changed what plans are allowed to do. We will be working with the Administrative Committee on potential changes to the Overpayments Policy. There will be an update at either the March or April board meeting.

Mr. Davis gave an update on the 2023 Trustee Elections. Lou Walter, the retired member trustee, is not going to run for re-election. He plans on participating until his terms ends on June 30, 2023. Judith Blinder, an active member trustee who recently retired, has said she will be vacating her active seat on June 30, 2023 so that she can run for the retired member seat.

**Closed Session for Quasi-judicial Matter and Potential Litigation – Review of Disability Retirement Application**

The Board entered into Closed Session for Quasi-judicial Matter and Potential Litigation at 10:52 am for approximately 30 minutes to review a Disability Retirement Application.

The Board returned to public session at 11:00 am.

**Motion:** Upon motion by Sherri Crawford, seconded by Jamie Carnell, the Board of Administration affirmed the conclusion of the independent medical examination and approved the retirement disability application of Tualima Vaiese. The motion passed unanimously (5-0).

**Adjourn Meeting**

**Motion:** Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration voted to adjourn the meeting at 11:01 am. The motion passed unanimously (5-0).