



Seattle City Employees' Retirement System

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

Minutes, Thursday, February 8, 2024

Board Members Present: Sherri Crawford (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Jamie Carnell, Kimberly Loving

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, Leola Ross, George Emerson, Mark Schimizze

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Kevin Balaod (With Intelligence), "Chris", Nick Pealy (ARSCE), Andrew Robinson (FAS) Lindsay Saienni (Fin News), Tom Mikesell (LEG)

Call to Order

Sherri Crawford, Chair, called the meeting to order at 10:00 am.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the January 11, 2024 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$22,271,898.73
Office Payroll*	261,618.10
Admin Expenses	306,086.38
Investment Expenses	0**
Total Expenses – January 2024	\$22,839,603.21

*Includes estimated benefit costs

**No investment manager fees due to year end entries which reverse 1/1/2024

Retirements, Withdrawals, Other Payouts – January 2024			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	18	\$52,443.35	\$1,059,435.47
Withdrawals	9	n/a	\$291,450.07

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

2023 SCERS Progress Report

Jeff Davis, Paige Alderete, and Jason Malinowski reviewed the 2023 SCERS Progress Report. The report provided an overview of SCERS's 2023 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 6.9%, which is higher than the current actuarial rate of return of 6.75%. The fund outperformed the reference passive benchmark by 1.0% for the 10-year period. Over a 5-year period, the fund slightly trailed the strategic policy benchmark by 0.2%.

In 2023, staff and NEPC conducted an asset-liability study that culminated in an updated strategic asset allocation that went into effect on December 31, 2023. The Investment Policy was updated to reflect the updated strategic asset allocation, to incorporate references to SCERS's liabilities, add Long-Term Fixed Income as a permissible asset class, align the environmental, social and governance (ESG) items with the latest ESG Policy, and clarify select asset class definitions, sectors, and indices.

In 2023, SCERS received an unqualified opinion from auditors and reclaimed \$263,000 of \$352,000 from overpayments. The member services staff completed more services in 2023 than in 2022 and eliminated or reduced service request back-logs. Staff will be working in 2024 to reduce turnaround time.

Staff began an organization-wide Security Risk Assessment to ensure that SCERS is protecting its members' pensions and information which is critical given today's culture of cyber threats. Members have been active on the Member Self Service Portal and the SCERS website.

SCERS is also working on streamlining the retirement process Citywide with other departments and has been actively working with the City's project team on the WEvolve/Workday project.

Members of the Board congratulated Jason Malinowski, Leola Ross, and Mark Schimizza for their achievements during 2023. Mr. Malinowski, Chief Investment Officer, was awarded the 2023 CIO Industry Innovation Award in the Public Defined Benefit assets less than \$10 billion category. He was also nominated for Innovator of the Year by Institutional Investor and Idea of the Year by With Intelligence for SCERS's work on liability-aware investing. Dr. Ross, Deputy Chief Investment Officer, was named to the Principles for Responsible Investing (PRI) Infrastructure Advisory Council. Mr. Schimizza, Finance and Accounting Manager, completed a certificate course in Diversity, Equity, and Inclusion from the University of Washington.

Investment Committee Report – January 25, 2024

Mr. Malinowski reported on the January 25, 2024 Investment Committee Meeting. Staff gave their annual presentation looking back at activity from the prior year and what the team is planning for in 2024. There were also two recommitments to existing managers that the Investment Committee considered.

Staff recommended a commitment of up to \$30 million to Horsley Bridge Venture 15 (“HB 15”), a venture capital fund-of-funds strategy. HB 15 would be SCERS’s second fund investment with Horsley Bridge. Horsley Bridge expects HB 15 to be oversubscribed with investor demand that exceeds the maximum fund size, in which case SCERS’s allocation is expected to be approximately \$25 million. NEPC concurred with this recommendation.

Ms. Blinder commented that investing in a fund-of-funds for venture capital is desirable given the improved diversification that it provides.

Motion: Upon motion by Jamie Carnell, seconded by Joseph Hoffman, the Board of Administration accepted the Investment Committee’s recommendation to commit up to \$30 million to Horsley Bridge Venture 15 LP, pending satisfactory legal review. The motion passed unanimously (6-0).

Staff recommended a commitment of up to \$20 million to Stonepeak Infrastructure Fund V LP (“Stonepeak V”), a North American-focused core-plus strategy. Stonepeak V would be SCERS’s fifth fund investment with Stonepeak. NEPC concurred with this recommendation and has rated Stonepeak V a 1, its highest rating.

Motion: Upon motion by Judith Blinder, seconded by Kimberly Loving, the Board of Administration accepted the Investment Committee’s recommendation to commit up to \$20 million to Stonepeak Infrastructure Fund V LP, pending satisfactory legal review. The motion passed unanimously (6-0).

Administrative Committee Report – January 25, 2024

Ms. Alderete reported on the January 25, 2024 Administrative Committee meeting. The committee reviewed and discussed the board self-evaluation questions and reviewed the timeline for the Executive Director Evaluation.

The Investment Advisory Committee charter was reviewed and approved by the committee. It is SCERS’ practice to review all policies and charters every three years for potential revisions. There were no changes to the Investment Advisory Committee charter.

Motion: Upon motion by Joseph Hoffman, seconded by Maria Coe, the Board of Administration accepted the Administrative Committee’s recommendation to reaffirm the Investment Advisory Committee Charter. The motion passed unanimously (6-0).

Executive Director Update

Mr. Davis stated that the onboarding process with CM Strauss has begun and should be completed soon.

In 2024, SCERS will have a Trustee Election for an Active Member Seat which is currently filled by Ms. Crawford.

NCPERS annual conference will be in Seattle on May 19-23, 2024. All board members are encouraged to attend as well as staff. Mr. Malinowski will be hosting a panel with other pension systems from the Pacific Northwest.

Adjourn Meeting

Motion: Upon motion by Joseph Hoffman, seconded by Maria Coe, the Board of Administration voted to adjourn the meeting at 10:36 am. The motion passed unanimously (6-0).