



Seattle City Employees' Retirement System

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

Minutes, Thursday, September 12, 2024

Board members present: Dan Strauss (Chair), Judith Blinder, Maria Coe, Sherri Crawford, Joseph Hoffman, Jamie Carnell, Kimberly Loving

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Leola Ross, Mengfei Cao, Nina Melencio, Ronda Iriarte, Selam Teklemariam, George Emerson

Others Present: Mike Monaco (MMPL), Gary Smith, Lily Fayerweather (NEPC), Will DuPree (NEPC), Elizabeth Paschke (ARSCE), Rose Dean (NEPC), Andrew Robinson (FAS), Joe Ebisa (With.Intelligence), Thao Nguyen (NEPC), Lindsay Saienni (Fin News), Edie Jorgensen (ARSCE)

Call to Order

Dan Strauss, 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 August 8, 2024 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$24,711,922.16
Office Payroll*	441,645.84
Admin Expenses	392,127.27
Investment Expenses	1,256,376.60
Total Expenses – August 2024	\$26,802,071.87

**Includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – August 2024			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	26	\$77,278.68	\$1,460,169.99
Withdrawals	33	n/a	\$1,301,613.41

Motion: Upon motion by Dan Strauss, seconded by Judith Blinder, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (7-0).

SCERS 2023 Annual Report to Members - Staff

Paige Alderete reported on the changes made to the 2023 Annual Report to Members based on Board feedback at the August Board meeting.

The funding sources chart was deleted based on initial feedback. This information is also included in other sections of the report. For next year's (2024) Annual Report to Members, staff will focus on enhancing the report.

Board members expressed appreciation for the relative brevity of the report and for making updates based on Board feedback.

Motion: Upon motion by Dan Strauss, seconded by Jamie Carnell, the Board of Administration accepted the SCERS 2023 Annual Report to Members as presented by Seattle City Employees' Retirement System Staff. The motion passed unanimously (7-0).

ESG Semi-Annual Review - Staff

Jason Malinowski and Leola Ross presented the semi-annual Environmental, Social, and Governance (ESG) update which included updates on SCERS's climate and diversity, equity, and inclusion (DEI) positive action strategies.

Dr. Ross provided an update on the climate positive action strategy. Shareholder support for climate and environmental proposals has fallen significantly over the past several years. Staff continues to actively engage with multiple companies, including Southern Company and Paccar. Mr. Strauss encouraged Dr. Ross to meet with Seattle City Light about climate topics.

Mr. Malinowski provided an update on the DEI positive action strategy. SCERS joined a draft sign-on letter organized by the Diverse Investing Collective calling on the top 20 largest investment management firms to be more transparent about the gender and racial make-up of their investment teams. Staff followed up with SCERS-invested managers.

In July 2024, Chairman Jim Jordan and Subcommittee Chairman Thomas Massie of the US House of Representatives Judiciary Committee sent a letter to over 130 members of Climate Action 100+, including SCERS. The letter stated that the activity of Climate Action 100+ was in violation of anti-trust laws and wanted members to withdraw from Climate Action 100+. SCERS sent a response which provided background on SCERS and our ESG policy.

Ms. Loving asked what plans are on the horizon for the DEI positive action strategy. Mr. Malinowski replied that SCERS started this effort in 2022 and are learning best practices across the institutional investor community. Ms. Loving stated that she would welcome any opportunity to be engaged personally in work in this area.

ESG Annual Consultant Review – NEPC

Lily Fayerweather and Will Dupree of NEPC presented the ESG Annual Consultant Review and answered questions from the committee members.

NEPC is seeing increased legislation that is anti-ESG passed in many states and under consideration in others. However, they have not seen significant change in how clients are investing.

NEPC began providing manager ESG ratings in 2018 that continue to evolve to reflect industry best practices and are extension of their existing due diligence process.

NEPC began providing manager DEI Ratings in 2022, scoring managers according to their firm commitment to DEI. DEI is a key component for how NEPC does business internally and externally. There is empirical evidence that diverse groups improve decision making and profitability which leads to better outcomes and lower personnel turnover.

NEPC has completed ESG and DEI assessments for all their public Focused Placement List (FPL) managers.

Investment Committee Report – August 29, 2024

Jason Malinowski reported on the August 29, 2024 Investment Committee meeting.

NEPC reviewed the second quarter performance report. For the one-year period ending June 30, 2024, the fund returned 9.3% net of fees, outperforming the Strategic Policy Benchmark by 0.2%. The funded status is estimated at 75.9% on an actuarial basis and 80.4% on a market basis where the liabilities are valued based on NEPC's current capital market assumptions.

Staff presented the annual deep dive on Credit Fixed Income. Staff and NEPC recommended a commitment of up to \$40 million to Arcmont Direct Lending Fund V. The Investment Committee approved the recommendation which will be brought to the full Board at its October meeting.

Executive Director Update

Jeff Davis reviewed the upcoming agenda items. The September Investment Committee meeting includes a Public Equity Deep Dive. The September Administrative Committee meeting will include interviews for the finalists for the Actuarial Services and the Auditing Services searches. At the October Board of Administration, the Administrative Committee will recommend its selections. Also, our attorneys will provide the Board's annual legal training.

Ms. Alderete gave an update on Workday's, the City's new timekeeping system, impact on SCERS. The Workday implementation has been mixed. SCERS's integration files are coming through and the Workday team has been responsive. Staff have not received the payroll integration file since payroll is still processing. That is the most critical integration. There have been unanticipated data issues with the integration files that have already been received. SCERS's ability to serve members is dependent on departments' ability to completely and accurately report employment and payroll data.

Ms. Alderete personally thanked Ms. Carnell and Ms. Loving for their leadership and partnership on this project. Ms. Carnell asked that SCERS raise awareness directly to her for issues so that she can ensure that SCERS is getting the support it needs as a critical interface.

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

The Board entered into Closed Session for Quasi-judicial Matter and Potential Litigation at 11:28 am for approximately 30 minutes to review Disability Retirement Applications.

The Board returned to public session at 11:46 am.

Motion: Upon motion by Dan Strauss, seconded by Kimberly Loving, the Board of Administration affirmed the conclusion of the independent medical examination and approved the retirement disability application of Jennifer Spears. The motion passed unanimously (7-0).

Motion: Upon motion by Dan Strauss, seconded by Kimberly Loving, the Board of Administration affirmed the conclusion of the independent medical examination and did not approve the retirement disability application of Lowrie Longacres. The motion passed unanimously (7-0).

Good of the Order

There were no items for the Good of the Order.

Adjourn Meeting

The meeting adjourned at 11:50 am.