



Seattle City Employees' Retirement System

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

Minutes, Thursday, October 10, 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, Mengfei Cao, George Emerson, Nina Melencio, Selam Teklemariam, Ronda Iriarte, Mark Schimizza

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Kevin Balaod (With Intelligence), Elizabeth Paschke (ARSCE), Lindsay Saienni (Fin News), Andrew Robinson (FAS)

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 September 12, 2024 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$24,555,652.93
Office Payroll*	436,299.57
Admin Expenses	155,477.52
Investment Expenses	2,643,660.86
Total Expenses – September 2024	\$27,792,090.88

**Includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – September 2024			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	21	\$76,202.33	\$901,803.56
Withdrawals	18	n/a	\$1,097,801.25

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

Board Training – Fiduciary Responsibility/Personal Liability - MMPL

Mike Monaco, of MMPL, provided an update to the Board’s training on Fiduciary Responsibility and Personal Liability and highlighted some issues through the lens of fiduciary litigation issues.

Mr. Monaco reviewed three points:

- SCERS assets are held in trust and subject to fiduciary responsibility. SCERS Board members are clearly trustees with fiduciary responsibility.
- The duty of prudence regarding plan investments follows the “modern portfolio or “prudent investor” rule. Trustees have the responsibility to act with prudence.
- Prudence is more about process rather than results. If you have a prudent process, but some investment turned out poorly, that is not a fiduciary breach. Conversely, you can have a breach by not having a prudent process, even if the results were positive.

Over the last several years there has been litigation of cases involving fees in private plans. This is less of a concern at SCERS since the system, as part of its investment beliefs, has a process in place to control and evaluate costs, and choose investments with a consideration of the fees involved.

Board Training – Open Public Meetings Act/City Ethics – City Attorney’s Office

Gary Smith, of the City Attorney’s Office, provided a refresher training on the Open Public Meetings Act (OPMA) and the City’s Ethics Code.

The City’s Ethics Code prohibits participation in a matter in which there is a financial interest by the Board member, an immediate family member, someone living with the board member, or an individual seeking employment or has an arrangement concerning future employment.

A primary purpose of the OPMA is to provide transparency to the public related to the City’s business. SCERS’s Board of Administration and its committees are subject to the OPMA. All meetings are open to the public, except for executive sessions. Meetings must have a quorum. Final action must always take place in an open public meeting even if deliberations occurred during executive session.

There are newer provisions that require minutes to be taken and public comment to be allowed at regular meetings during which any final action is taken during the meeting.

Investment Committee Report – September 26, 2024

Jason Malinowski reported on the September 26, 2024 Investment Committee meeting. Staff presented the annual deep dive on Public Equity.

Staff and NEPC recommended to commit up to \$20 million to Sculptor Real Estate Fund V (“Sculptor V”), a sector diversified non-core real estate strategy that is primarily focused on the United States. Sculptor V is managed by Sculptor Capital Management, which was recently acquired by Rithm Capital. SCERS had previously committed \$17.5 million to Sculptor Real Estate Fund IV. The Investment Committee approved the recommendation.

Ms. Blinder asked why staff were comfortable with the acquisition by Rithm. Mr. Malinowski responded that the original founder of Sculptor brought instability, and he is now out of the firm completely.

The other motion was covered at the August 29, 2024 Investment Committee meeting. Staff and NEPC recommended a commitment of up to \$40 million to Arcmont Direct Lending Fund V (“DLF V”), a private credit strategy focused on lending to European middle-market companies. DLF V is managed by Arcmont Asset Management Limited, a UK-based asset manager.

Arcmont was acquired by Nuveen in 2023. After due diligence, staff see the acquisition as a positive so are comfortable moving ahead with the motion at this time.

Motion: Upon motion by Sherry Crawford, seconded by Kimberly Loving, the Board of Administration accepted the Investment Committee’s recommendation to commit up to \$40 million to Arcmont Direct Lending V, pending satisfactory legal review. The motion passed unanimously (6-0).

Motion: Upon motion by Sherry Crawford, seconded by Jamie Carnell, the Board of Administration accepted the Investment Committee’s recommendation to commit up to \$20 million plus applicable management fees to Sculptor Real Estate Fund V, pending satisfactory legal review. The motion passed unanimously (6-0).

Administrative Committee Report – September 26, 2024

Paige Alderete reported on the September 26, 2024 Administrative Committee meeting.

The September Administrative Committee was an extended meeting for the committee to interview finalists for the Actuarial Services Consultant and Auditing Services Consultant RFPs. Both contracts start January 1, 2025.

Staff were pleased with the number of proposals received for both RFPs. The finalists interviewed for the Actuarial Services Consultant contract were GRS and Milliman. The finalists interviewed for the Auditing Services Consultant contract were CliftonLarsonAllen and Eide Bailly. Ms. Alderete noted that all the finalists were capable and the cost proposals were within a reasonable range.

After interviews and discussion, the committee recommended Milliman for the Actuarial Services Consultant contract and CliftonLarsonAllen for the Auditing Services Consultant contract.

Motion: Upon motion by Sherry Crawford, seconded by Judith Blinder, the Board of Administration accepted the Administrative Committee’s recommendation to contract with Milliman as the Actuarial Services Consultant effective January 1, 2025 for a five-year term, pending satisfactory legal review. The motion passed unanimously (6-0).

Motion: Upon motion by Sherry Crawford, seconded by Judith Blinder, the Board of Administration accepted the Administrative Committee’s recommendation to contract with CliftonLarsonAllen as the Auditing Services Consultant effective January 1, 2025 for a five-year term, pending satisfactory legal review. The motion passed 5-0-1 with Jamie Carnell abstaining.

Executive Director Update

Jeff Davis reviewed the upcoming agenda items. The October Investment Committee meeting includes an Overlay deep dive. At the October Administrative Committee, staff will present the results of the employee satisfaction survey, an update on SCERS's modernization, and an Investment Advisory Committee reappointment.

The November Administrative Committee has been canceled.

Good of the Order

There was nothing for the Good of the Order.

Adjourn Meeting

Motion: Upon motion by Sherry Crawford, seconded by Maria Coe, the Board of Administration voted to adjourn the meeting at 10:54 am. The motion passed unanimously (6-0).