



# 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, January 12, 2023

- Board Present:** Teresa Mosqueda (Chair), Robert Harvey, Jr., Sherri Crawford, Judith Blinder, Jamie Carnell, Kimberly Loving
- Staff present:** Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, Leola Ross, George Emerson, Mark Schimizza
- Others present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Kevin Balaod (With.Intelligence), Edie Jorgensen (ARSCE)

### Call to Order

Teresa Mosqueda, 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 December 8, 2022 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$22,449,992.14
Office Payroll	489,458.19*
Admin Expenses	303,523.72
Investment Expenses	890,462.40
<b>Total Expenses – December 2022</b>	<b>\$24,133,436.45</b>

\*Includes estimated benefit costs

Retirements, Withdrawals, Other Payouts – December 2022			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	19	\$59,173.86	\$1,598,984.16
Withdrawals	25	n/a	\$911,660.91

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

### **Deep Dive – Member Communications**

Paige Alderete presented the SCERS Member Communications Deep Dive. The overview included SCERS's mission, vision, and values; recap of 2022 working environment; member communication focus areas, results of the 2022 member satisfaction survey; and member communication goals for 2023. SCERS tracks progress over five key areas: 1) access to information, 2) clear and consistent communications, 3) pro-active and educational communications, 4) service request times, and 5) cross department and agency communications.

In 2022, SCERS offered a hybrid work environment. There continues to be obstacles to access SCERS's office since the Pacific Building remains locked. A big impact in 2022 was the high volume of requests due to assumption changes that would take effect on January 1, 2023. Detailed guidance was put on the SCERS's website and a pro-active communication campaign was implemented to notify approximately 1,500 members impacted.

In 2022 the number of Member Self-Service (MSS) portal users increased from 7,147 in 2021 to 8,903. Website usage remains active with the SCERS website having a 91.1% accessibility rating and 98.8% quality assurance rating.

Last year, SCERS conducted 18 seminars serving 440 members. Staff also provided information to new City employees at the quarterly new employee orientation conducted by Seattle Human Resources.

SCERS conducted the second annual member satisfactory survey to pro-actively receive feedback and suggestions for improvement from both Active and Retired members. Member satisfaction for Active members increased from 2021 to 2022, although the numbers are not where we want them to be. Speed in addressing service requests and responsiveness continues to be the biggest area needing improvement. Retired member satisfaction has improved and remains relatively high, but speed and responsiveness were also noted for improvement.

Member communication goals for 2023 include hiring an additional half-time Member Services Representative to help with incoming member inquiries, focus on responsiveness and speed of responses and completed services, offering additional online resources and videos for members, and to continue the Member Satisfaction Survey on an annual basis.

There was discussion on improving the survey response and using a larger pool for the survey. A trustee also shared her own experience going through the retirement process and provided helpful feedback. Although the SCERS website was great, there needs to be better coordination between multiple departments and websites for the retirement process.

### **Executive Director Update**

Jeff Davis provided information on trustee education for the upcoming year. Board education is one of SCERS's strategic goals to have a well-informed highly functioning board. Board members were provided with internal and external education opportunities for 2023.

Mr. Davis also shared that beginning with the January Administrative Committee, SCERS will begin the process of replacing the At-Large Board member, Mr. Harvey.

The Board congratulated Ms. Blinder on her retirement from the City.

## **Adjourn Meeting**

**Motion:** Upon motion by Sherri Crawford, seconded by Robert Harvey, Jr., the Board of Administration voted to adjourn the meeting at 10:44 am. The motion passed unanimously (6-0).



# 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).



# Seattle City Employees' Retirement System

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

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## Minutes, Thursday, March 9, 2023

- Board Members Present:** Teresa Mosqueda (Chair), Robert Harvey, Jr., Judith Blinder, Sherri Crawford, Kimberly Loving, Jamie Carnell
- SCERS Staff present:** Jeff Davis, Paige Alderete, Leola Ross, Nina Melencio, George Emerson, Mengfei Cao, Selam Teklemariam, Mark Schimizza
- Others present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Nick Peally (ARSCE), Edie Jorgensen (ARSCE), Kevin Balaod (With.Intelligence) Mike Nagan (ARSCE), Lin Ruchty, Elizabeth Paschke (ARSCE), Kevin Clark (ARSCE), Tom Mikesell (LEG), Shelley Bergstrand (ARSCE), Peggy McShane (Retiree)

### Call to Order

Teresa Mosqueda, Chair, called the meeting to order at 10:00 am.

### Public Comment

There was public comment from members of the Association of Retired Seattle City Employees (ARSCE). ARSCE members Elizabeth Paschke, Nick Peally, and Kevin Clark provided public comment on increasing the cost-of-living adjustment (COLA) for retirees.

SCERS's actuaries will be asked to do a cost analysis on the impact of SCERS's funding status and contribution rates and present the information to the Board at a future board meeting. SCERS does not have the authority to make changes to benefits. Any requested changes will need to be presented to City Council and be part of the City's budget process.

### Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the February 9, 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	\$24,534,761.93
Office Payroll	400,340,64*
Admin Expenses	172,466.50
Investment Expenses	490,538.88
<b>Total Expenses – February 2023</b>	<b>\$25,598,107.95</b>

\*Includes estimated benefit costs

<b>Retirements, Withdrawals, Other Payouts – February 2023</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	55	\$231,038.62	\$3,246,188.94
Withdrawals	19	n/a	\$539,726.08

**Motion:** Upon motion by Sherri Crawford, seconded by Robert Harvey, Jr., the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (6-0).

### **ESG Semi-Annual Update**

Leola Ross presented the semi-annual ESG update.

SCERS integrates ESG risks and opportunities into its investment process to ensure that any financially material impact on risk and return is considered. SCERS has pursued an ESG positive action strategy, prioritizing climate change since 2015 and diversity, equity, and inclusion (DEI) since 2022.

Dr. Ross reviewed staff’s shareholder advocacy which included various engagements with companies and regulators. In November 2022, the Southern Company produced its inaugural Trade Association and Lobbying Report. SCERS has been working with other institutions to improve transparency on lobbying activity. In January 2023, SCERS joined the Climate Action 100+ team to help Southern Company prepare for their 2023 Just Transition Report.

SCERS staff met with Southern Company multiple times to discuss a shareholder resolution that SCERS filed to achieve the goals of increasing the use of low-cost low-carbon energy generation and accelerate stated greenhouse gas reduction goals. Mr. Davis stated that this was a big deal and congratulated Dr. Ross on her work with Southern Company.

She also provided an update on the Diversity, Equity, and Inclusion (DEI) positive action strategy. The Investment Diversity Advisory Council (IDAC) was established in September 2022. Jason Malinowski served as the asset owner representative on the Nominating Committee which was responsible for selecting the inaugural IDAC Board. Dr. Ross will be on the Disclosure Committee going forward.

Staff attended and presented at several ESG industry conferences during Q4 2022 and Q1 2023.

***(10:52 am – Teresa Mosqueda handed over chair responsibilities to Robert Harvey, Jr. CM Mosqueda left the meeting.)***

### **Investment Committee Report – February 23, 2023**

Dr. Ross reported on the February 23, 2023 Investment Committee meeting. The Investment Advisory Committee (IAC) attended the meeting and shared their annual report for 2022 and strategic guidance for 2023.

Allan Martin will be serving as SCERS’s primary field consultant, as Don Stracke is no longer with the firm. Mr. Martin gave their quarterly performance update. The portfolio lost 10% of its value in 2022 which was driven by declining equity markets in the middle of the year and rising interest rates. There was some recovery towards the end of 2022.

Mr. Harvey noted that he considers the portfolio very well managed. Other systems had a much poorer performance and SCERS maintained a funding level at 70%.

### **Administrative Committee Report – February 23, 2023**

Jeff Davis reported on the February 23, 2023 Administrative Committee meeting. The committee reviewed the board self-evaluation and refined the questions. It will be brought back at the March meeting to finalize before sending it to the Board through Survey Monkey.

There was also discussion about the process for filling the At-Large trustee seat. The open application period closes on March 15, 2023. As of the February 23, 2023 meeting, staff have received 10 completed applications and sent out information to 23 people who expressed interest. Staff will winnow down the number of application if needed and bring the applications to the Administrative Committee at the March meeting.

### **Executive Director Update**

There was no Executive Director update.

### **Adjourn Meeting**

**Motion:** Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration voted to adjourn the meeting at 11:05 a.m. The motion passed unanimously (5-0).



# 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, April 13, 2023

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

**SCERS Staff present:** Jeff Davis, Paige Alderete, Nina Melencio, George Emerson, Mark Schimizza, Selam Teklemariam

**Others present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Nick Collier and Julie Smith (Milliman), Elizabeth Paschke (ARSCE), Nick Peally (ARSCE), Alexandria Zhang, Lindsay Saienni (Fin News), Joe Ebisa (with Intelligence), Bob Chandler, Edie Jorgensen, Matt Courtois, James Warren

### Call to Order

Teresa Mosqueda, Chair, called the meeting to order at 10:00 am.

### Public Comment

Elizabeth Paschke of the Association of Retired Seattle City Employees (ARSCE) provided public comment on increasing the cost-of-living adjustment (COLA) for retirees.

### Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the March 9, 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	\$24,702,195.20
Office Payroll	401,403.82*
Admin Expenses	116,924.31
Investment Expenses	1,114,546.83
<b>Total Expenses – March 2023</b>	<b>\$26,385,070.16</b>

*\*Includes estimated benefit costs*

<b>Retirements, Withdrawals, Other Payouts – March 2023</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	27	\$81,401.69	\$1,718,395.07
Withdrawals	11	n/a	\$290,425.10

**Motion:** Upon motion by Sherri Crawford, seconded by Robert Harvey, Jr., the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (6-0).

### **COLA Analysis**

ARSCE asked the board for an analysis on increasing the annual COLA provision from 1.5% to 2.3% for all future years, as well as increasing the COLA from 1.5% to 3.5% for one year only.

Staff asked SCERS's actuaries, Milliman, for an analysis of the impact those scenarios would have on the City's contribution and the funding ratio. Staff will send the analysis to ARSCE so they could use it to petition City Council to adjust the COLA.

Nick Collier of Milliman reviewed the analysis with the Board and answered questions. The costs are estimates based on January 1, 2022 valuation since they are currently working on the fund's January 1, 2023 valuation.

With a permanent COLA increase from 1.5% to 2.3%, the funding ratio decreases from 75% to 69.7%. Over a 10-year amortization, the employer contribution significantly increases from 15.82% to 21.49%. Over a 20-year amortization, the employer contribution increases from 15.82% to 20.03%.

There was discussion on requesting another analysis in which current members would agree to pay more to offset the City's contributions. There would be an impact on first tier employees with a 2x match. A board member appreciated the different viewpoints but stated that the board needed to be mindful of current employees who are sharing the burden of inflation currently.

The Board requested more modeling from Milliman.

### **Investment Committee Report – March 30, 2023**

George Emerson reported on the March 30, 2023 Investment Committee meeting. There were three agenda items. NEPC presented on the banking crisis; staff gave the annual deep dive on Public Equity; and there was a recommendation to redeem from the Ashmore Emerging Markets Blend Debt Fund and invest the proceeds in the PIMCO Emerging Markets External Bond Collective Investment Trust.

NEPC was supportive of staff's recommendation. The Investment Committee approved the motion.

**Motion:** Upon motion by Robert Harvey, Jr., seconded by Sherri Crawford, the Board of Administration accepted the Investment Committee's recommendation to redeem from the Ashmore Emerging Markets Blended Debt Fund and invest the proceeds in the PIMCO Emerging Markets External Bond Collective Investment Trust, pending satisfactory legal review. The motion passed unanimously (6-0).

### **Administrative Committee Report – March 30, 2023**

Jeff Davis reported on the March 30, 2023 Administrative Committee meeting. Agenda items included a revision to the Overpayment Policy and reviewing the applications for the At-Large Trustee seat.

There was an overview and discussion of Secure Act 2.0 that passed at the end of 2022 which led to the proposed revision to the overpayment policy. The legal limit for retirement has been raised to age 73. SCERS's current trigger is age 70 ½. The age can be changed to 73 if the City Council is amenable.

Under Secure Act 2.0, the obligation to collect overpayments and interest from members has more flexibility now. There is still a generalized kind of fiduciary duty in this area under state law. Staff's proposed changes to SCERS Overpayment Policy addresses extreme cases and in those instances caps overpayments to five years, waives interest, and eliminates pursuing the overpayment when the benefit stop.

The proposed change to the policy would be retroactive to the original date of the policy. This would apply to the few members who SCERS previously found had significant Option F overpayments.

The committee also reviewed the applications for the At-Large Trustee seat and selected three candidates to be interviewed at the April 2023 Administrative Committee meeting. Final interviews would occur at May's Board of Administration meeting.

**Motion:** Upon motion by Jamie Carnell, seconded by Judith Blinder, the Board of Administration accepted the Administrative Committee's recommendation to adopt the Overpayment Policy as revised and to make the changes effective back to the date of the original policy adoption of November 20, 2020. The motion passed unanimously (6-0).

*(10:52 am – CM Mosqueda handed chair responsibilities to Mr. Harvey.)*

### **Executive Director Update**

The candidacy period for the retired and active member seats is from April 13, 2023 through 5:00 pm on April 27, 2023.

Information will be on SCERS's website and the Member Self-Service Portal. In addition, a broadcast message will be sent to all City staff from the Mayor's office.

### **Adjourn Meeting**

**Motion:** Upon motion by Teresa Mosqueda, seconded by Jamie Carnell, the Board of Administration voted to adjourn the meeting at 10:54 am. The motion passed unanimously (6-0).



# 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, May 11, 2023

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

**SCERS Staff Present:** Jeff Davis, Paige Alderete, Nina Melencio, George Emerson, Leola Ross, Selam Teklemariam, Katie Lac, Mark Schimizza

**Others Present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Kevin Balaod (With.Intelligence), Nick Pealy (ARSCE), Edie Jorgensen (ARSCE), Joseph Hoffman, Maria Coe, Elizabeth Paschke (ARSCE), Lindsay Saienni (Fin News)

### Call to Order

Teresa Mosqueda, Chair, called the meeting to order at 10:03 am.

Ms. Mosqueda recognized the board members who are leaving at the end of June. Mr. Harvey and Mr. Walter have contributed immeasurably to SCERS and helped guide the Board through some rough patches.

### Public Comment

There was public comment from Nick Pealy of ARSCE. He had some questions about the second COLA analysis completed by Milliman. Ms. Mosqueda asked Mr. Pealy to send Mr. Davis the questions in advance of the June Board meeting. Mr. Pealy announced that John Masterjohn, current ARSCE president, will be stepping down at the end of June and Mr. Pealy will become the next president of ARSCE.

### Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the April 13, 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	\$24,237,733.99
Office Payroll	411,079.41*
Admin Expenses	411,466.28
Investment Expenses	384,416.18
<b>Total Expenses – April 2023</b>	<b>\$25,444,675.86</b>

*\*Includes estimated benefit costs*

<b>Retirements, Withdrawals, Other Payouts – April 2023</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	23	\$76,251.83	\$944,132.55
Withdrawals	24	n/a	\$821,200.36

**Motion:** Upon motion by Judith Blinder, seconded by Jamie Carnell, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

### **At-Large Trustee Interview**

Mr. Davis reviewed the process that the Administrative Committee completed to narrow down the At-Large Trustee candidates to three candidates who were interviewed at the April Administrative Committee meeting. The Administrative Committee members selected one candidate to move forward to the May Board of Administration meeting. Mr. Davis introduced Joseph Hoffman to the Board.

Ms. Mosqueda asked Mr. Hoffman how he would approach being a strong fiduciary, but also recognizing the mounting pressure to the planet. Mr. Hoffman stated that as a fiduciary, the goal is trying to generate the best, secure returns for members while taking environmental, social and governance factors into account. It has to be carefully balanced out and he can't say that one trumps the other. It would have to be taken on a case-by-case basis.

**Motion:** Upon motion by Jamie Carnell, seconded by Judith Blinder, the Board of Administration appointed Joseph Hoffman to serve as the at-large member on the Board of Administration for a three-year term (July 1, 2023 – June 30, 2026). The motion passed unanimously (5-0).

### **Investment Committee Report – April 27, 2023**

Leola Ross reported on the April 27, 2023 Investment Committee meeting which included an Infrastructure deep dive and a recommendation to commit up to \$20 million to Stonepeak Opportunities Fund LP.

Dr. Ross described the attributes, sectors, trends, and portfolio role of the Infrastructure asset class. SCERS has a 4% target allocation to Infrastructure and a 2.3% current allocation. SCERS invests in four private infrastructure managers that are diversified across sectors and geography. Infrastructure plays a key role in the sustainability investments component of SCERS's climate change positive action strategy. These sustainability investments made by SCERS's infrastructure managers provide attractive returns while promoting the energy transition and reducing carbon emissions. Staff plans to recommend additional Infrastructure fund commitments to grow the allocation to its target over time.

Dr. Ross reviewed the pending recommendation to commit up to \$20 million to Stonepeak Opportunities Fund LP (SOF), a middle-market value-add infrastructure strategy. NEPC concurs with staff's recommendation. SOF will invest in the same sectors and geographies as Stonepeak's flagship infrastructure strategy while pursuing

smaller, middle-market assets that offer higher return potential and risk. Jack Howell of Stonepeak joined the Investment Committee meeting to discuss the SOF strategy, firm track record and middle-market opportunity.

**Motion:** Upon motion by Robert Harvey, Jr., seconded by Judith Blinder, the Board of Administration accepted the Investment Committee's recommendation to commit up to \$20 million to Stonepeak Opportunities Fund, pending satisfactory legal review. The motion passed unanimously (5-0).

### **Administrative Committee Report – April 27, 2023**

Jeff Davis reported on the April 27, 2023 Administrative Committee meeting. Administrative Committee members interviewed three candidates for the At-Large Trustee position and selected Joseph Hoffman to interview with the full Board of Administration at its May 11, 2023 meeting.

### **Executive Director Update**

Mr. Davis gave an overview on the 2023 Active Member and Retired Member Elections. There was one qualified candidate for the Active Member Seat and two qualified candidates for the Retired Member Seat.

Maria Coe is the one qualified candidate for the Active Member Seat. SCERS's Election Board Policy states that if there is only one qualified candidate for a vacancy, then that candidate will be deemed to have won the election. Ms. Coe has been with Seattle Public Utilities for the last 15 years. She is currently the Rates and Financial Planning Manager and previously worked for the Governor of Colorado.

There are two candidates for the Retired Member Seat:

- Judith Blinder
- Jerri Emunson

Elections for the Retired Member Seat will run through 5:00 pm on Monday, June 5, 2023. The winner of the election will be announced at the June 8, 2023 Board of Administration Meeting.

**Motion:** Upon motion by Jamie Carnell, seconded by Judith Blinder, the Board of Administration appointed Maria Coe to the Active Member seat of the Board of Administration for the remainder of a three-year term (July 1, 2023 – June 30, 2025). Per the Election Board Policy, if there is only one qualified candidate for a vacancy, then that candidate will be deemed to have won the election. The motion passed unanimously (5-0).

### **Adjourn Meeting**

**Motion:** Upon motion by Judith Blinder, seconded by Jamie Carnell, the Board of Administration voted to adjourn the meeting at 11:06 am. The motion passed unanimously (5-0).



# 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, June 8, 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, Mengfei Cao, Mark Schimizza

**Others Present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Nick Collier and Julie Smith (Milliman), Nick Peally (ARSCE), Harry Walker (Journalist), Tom Mikesell (LEG), Alexandria Zhang (CBO), John Talbot, David Hennes (CBO)

### Call to Order

Robert Harvey, Jr., 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 May 11, 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	\$23,092,880.67
Office Payroll	398,856.62*
Admin Expenses	158,999.45
Investment Expenses	2,023,218.86
<b>Total Expenses – May 2023</b>	<b>\$25,673,955.60</b>

*\*Includes estimated benefit costs*

<b>Retirements, Withdrawals, Other Payouts – May 2023</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	30	\$74,471.05	\$1,385,550.79
Withdrawals	26	n/a	\$942,811.24

**Motion:** Upon motion by Sherry Crawford, seconded by Judith Blinder, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

### **COLA Analysis – Milliman**

Jeff Davis stated that this is the second analysis that was requested from the Association of Retired Seattle City Employees (ARSCE) regarding the retiree Cost of Living Adjustment (COLA). This analysis was sent to all Board of Administration members and to ARSCE. Since SCERS is responsible for administering the retirement benefit determined by the City, the pathway for ARSCE going forward is to petition the City Council to make a change in benefits. CM Mosqueda has expressed interest in meeting with ARSCE wearing her City Council hat.

The first analysis conducted by SCERS's actuary, Milliman, showed the impact of two scenarios if the City, as the plan's sponsor, paid the full cost. The second analysis shows the impact if the cost was split between the City and the plan's members. Mr. Davis introduced Nick Collier and Julie Smith of Milliman.

The COLA options analyzed was an increase to the COLA from 1.5% to 2.3% for all future years and a 3.5% increase for one year only. The 3.5% increase would only benefit current retirees. A permanent increase to the COLA decreases the funding ratio from 75% to 69.3% and increases the unfunded liability by \$407 million. A one-time increase to the COLA decreases the funding ratio from 75% to 74.2% and increases unfunded liability by \$48 million.

### **Valuation Study and 2023 Actuarial Contribution Rate (ARC) - Milliman**

Mr. Collier and Ms. Smith from Milliman presented the 2023 Actuarial Valuation Report as of January 1, 2023.

The funding ratio increased from 75% in 2022 to 75.7% as of January 1, 2023. The employer actuarially required contribution (ARC) for 2024 is 15.17% for 2024. This is a decrease from the 2023 rate of 15.82%. The contribution rate is projected to increase in future years, prompting Milliman to present the option of maintaining the City's contribution rate at the current 15.82% to minimize the impact of expected future increases in the ARC.

**Motion:** Upon motion by Sherry Crawford, seconded by Judith Blinder, the Board of Administration accepted the January 1, 2023 Actuarial Valuation Report as presented by Milliman and recommended the City of Seattle set the rate of 15.82% as the employer contribution for 2024. The motion passed unanimously (5-0).

### **Investment Committee Report – May 25, 2023**

Jason Malinowski reported on the May 25, 2023 Investment Committee meeting. The committee was introduced to Rose Dean who recently joined NEPC from Wilshire. Ms. Dean will be SCERS's consultant and will transition with Allan Martin during 2023. NEPC reviewed SCERS's investment performance for the period that ended

March 31, 2023. There were staff presentations on liability aware investing and the risk management framework. Mr. Malinowski introduced the risk preference survey which is due by the end of June.

### **Administrative Committee Report – May 25, 2023**

Mr. Harvey reported on the May 25, 2023 Administrative Committee. The committee reviewed the results of the 2022 Board Self-Evaluation.

Mr. Harvey shared the results with the Board of Administration.

### **Executive Director Update**

Mr. Davis gave an update on the 2023 Trustee Elections for the retired member seat. Judith Blinder won the election with 77.59% of the votes.

**Motion:** Upon motion by Jamie Carnell, seconded by Sherri Crawford, the Board of Administration appointed Judith Blinder to the Retired Member seat of the Board of Administration for a three-year term (July 1, 2023 – June 30, 2026). The motion passed 4-0-1 with Judith Blinder abstaining.

### **Adjourn Meeting**

**Motion:** Upon motion by Sherri Crawford, seconded by Jamie Carnell, the Board of Administration voted to adjourn the meeting at 11:13 am. The motion passed unanimously (5-0).



# 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, July 13, 2023

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

**SCERS Staff Present:** Jeff Davis, Jason Malinowski, Mark Schimizza, Nina Melencio, Leola Ross, George Emerson

**Others Present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Brittany Smith (CliftonLarsonAllen), Kevin Balaod (With.Intelligence), Elizabeth Paschke (ARSCE), Tom Mikesell (LEG), Nick Pealy (ARSCE), Edie Jorgensen (ARSCE)

### Call to Order

Teresa Mosqueda, Chair, called the meeting to order at 10:03 am.

Ms. Mosqueda welcomed the two new board members who began July 1, 2023. Maria Coe has been elected as an Active Member Trustee. Joseph Hoffman has been appointed as the At-Large Trustee.

### Public Comment

There was no public comment.

### Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the June 8, 2023 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$23,258,030.33
Office Payroll	401,534.39*
Admin Expenses	310,975.54
Investment Expenses	1,607,889.92
<b>Total Expenses – June 2023</b>	<b>\$25,578,430.18</b>

*\*Includes estimated benefit costs*

<b>Retirements, Withdrawals, Other Payouts – June 2023</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	31	\$98,679.47	\$1,175,538.59
Withdrawals	26	n/a	\$1,127,695.37

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

### **Final Audit Report – Staff and CliftonLarsonAllen**

Mark Schimizza acknowledged the partnership between SCERS and CliftonLarsonAllen (CLA). During 2022 there was a decrease in net position by 12% due to negative investment returns and a volatile 2022. Despite that, net assets are over \$3.6 billion and funding status increased to 75.7%.

Brittany Smith of CliftonLarsonAllen (CLA) presented SCERS's Final Audit Report for the year ended December 31, 2022.

There were no material weaknesses found during the audit and no material findings associated with compliance with laws and regulations or other matters. SCERS worked diligently to implement internal control for the new pension administration system.

**Motion:** Upon motion by Jamie Carnell, seconded by Sherri Crawford, the Board of Administration accepted the 2022 Year-End Audited Financial Statements as presented by Seattle City Employees' Retirement System Staff and CliftonLarsonAllen, LLP. The motion passed unanimously (7-0).

### **Credited Interest**

Jason Malinowski presented on Credited Interest. The new credited interest rate for contributions after December 31, 2011 is calculated by taking the average daily rate of the thirty-year treasury bond. The credited interest rate is 3.62%, up from 2.2%. This interest gets applied to members' contributions and is different than the returns we are expecting on the investment portfolio.

**Motion:** Upon motion by Sherri Crawford, seconded by Jamie Carnell, the Board of Administration set the 2023 credited interest rate on all employee contributions into the pension after December 31, 2011 at **3.62%**. The motion passed unanimously (7-0).

### **Appointment of Committee Chairs**

Mr. Malinowski presented background on the agenda item. The Administrative Committee has updated the Administrative Committee and Investment Committee charters to formalize how the committee chairs would be selected.

**Motion:** Upon motion by Teresa Mosqueda, seconded by Jamie Carnell, the Board of Administration appointed Judith Blinder as Chair of the Administrative Committee effective July 13, 2023 through June 30, 2025. The motion passed 6-0-1 with Ms. Blinder abstaining.

**Motion:** Upon motion by Teresa Mosqueda, seconded by Jamie Carnell, the Board of Administration appointed Sherri Crawford as Chair of the Investment Committee effective July 13, 2023 through June 30, 2025. The motion passed 6-0-1 with Ms. Crawford abstaining.

### **Executive Director Update**

Mr. Malinowski stated that due to the cancelations of the June 29, 2023 Investment Committee and Administrative Committee meetings, there would be no committee reports at today's meeting.

New Trustee Onboarding was completed with both Ms. Coe and Mr. Hoffman.

Ms. Mosqueda can't attend the August meeting and asked Ms. Crawford to chair the meeting.

### **Adjourn Meeting**

The meeting adjourned at 10:54 am.



# 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, August 10, 2023

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

**SCERS Staff Present:** Jeff Davis, Jason Malinowski, Mark Schimizza, Nina Melencio, Leola Ross, Selam Teklemariam

**Others Present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Joe Ebisa (WithIntelligence), Lindsay Saienni (FinNews), Edie Jorgensen (ARSCE), Nick Pealy (ARSCE), Melina Thung (ARSCE)

### 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 July 13, 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	\$22,731,910.27
Office Payroll	401,544.30*
Admin Expenses	255,032.00
Investment Expenses	645,243.40
<b>Total Expenses – July 2023</b>	<b>\$24,033,729.97</b>

*\*Includes estimated benefit costs*

<b>Retirements, Withdrawals, Other Payouts – July 2023</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	21	\$73,638.16	\$1,287,669.94
Withdrawals	19	n/a	\$715,313.67

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

### **SCERS 2022 Annual Report to Members**

Mark Schimizza presented the 2022 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 \$234 million in 2022 compared to \$223 million in 2021. In 2022, the fund had 20,308 members up from 19,619 in 2021.

By the end of 2022, SCERS was managing \$3.6 billion in investments, a \$495.8 million decrease from 2021. Although assets decreased, funding status is steadily increasing due to strong investment returns in 2019, 2020, and 2021. The funding status as of 2022 was 75.7%, up from 75.0% in 2021. 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.

Based on the results of the most recent member satisfaction survey, SCERS will continue focusing on customer service, addressing service request backlogs, and reducing turn-around times.

Ms. Blinder shared her own experience as a recent retiree and provided feedback for staff.

**Motion:** Upon motion by Jamie Carnell, seconded by Judith Blinder, the Board of Administration accepted and approved the 2022 SCERS Annual Report to Members as presented by Seattle City Employees' Retirement System Staff. The motion passed unanimously (6-0).

### **Investment Committee Report – July 27, 2023**

Jason Malinowski reported on the July 27, 2023 Investment Committee meeting.

The results of the risk preference survey were presented to the committee. There was a high degree of consistency on risk preferences amongst board members and Investment Advisory Committee members. The results showed a lot of comfort with the way the portfolio is currently positioned and that respondents were comfortable with incremental changes to the portfolio.

Dr. Ross gave an asset class primer and reviewed each asset class in the portfolio. Mr. Malinowski presented information on the one new asset class that is being recommended which is Long Dated Fixed Income. Rose Dean and Thao Nguyen, of NEPC, attended the meeting in person. Ms. Dean provided an asset liability study overview which included the importance of asset allocation and SCERS's history of allocation. George Emerson gave a deep dive of the Core Fixed Income asset class.

### **Executive Director Update**

Jeff Davis reported that the Pacific Building's front doors are now unlocked from 9:00 am to 4:00 pm on Tuesdays, Wednesdays, and Thursdays which coincides when the full member services team are on-site.

### **Adjourn Meeting**

**Motion:** Upon motion by Judith Blinder, seconded by Jamie Carnell, the Board of Administration voted to adjourn the meeting at 10:26 am. The motion passed unanimously (6-0).



# 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, September 14, 2023

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

**SCERS Staff Present:** Jeff Davis, Jason Malinowski, Leola Ross, Nina Melencio, Mengfei Cao, George Emerson, Mark Schimizza

**Others Present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Rose Dean (NEPC), Will Dupree (NEPC), Thao Nguyen (NEPC), Kevin Balaod (With.Intelligence), Elizabeth Paschke (ARSCE), Andrew Robinson (FAS) Lindsay Saienni (Fin News), Edie Jorgensen (ARSCE)

### 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 August 10, 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	\$23,958,351.82
Office Payroll	402,824.19
Admin Expenses	342,209.50
Investment Expenses	1,556,772.79
<b>Total Expenses – August 2023</b>	<b>\$26,260,158.30</b>

*\*Includes estimated benefit costs*

<b>Retirements, Withdrawals, Other Payouts – August 2023</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	27	\$92,264.18	\$821,501.15
Withdrawals	33	n/a	\$1,407,861.00

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

### **ESG Annual Consultant Review – NEPC**

Will Dupree, Senior Consultant at NEPC, presented the ESG Annual Consultant Review and answered questions from the committee members. Mr. Dupree focused his presentation on diversity, equity, and inclusion (DEI) since SCERS had added a DEI positive action strategy in 2022. The investment industry is behind the curve with respect to DEI as evidenced by a less diverse workforce and limited assets under management with diverse-owned investment managers.

Mr. Dupree described NEPC's DEI business case, ecosystem, strategic initiatives, and recent accomplishments. NEPC's 2022 DEI accomplishments include achieving its 13% target to diverse-owned managers across their public market Focused Placement List (FPL); increased dollars allocated to diverse-owned managers from 7% to 10%; hosted an annual Equitable Manager Participation Day that engaged with more than 100 diverse firms; and launched a Diverse Manager ratings platform which provides clients a systematic way to rate diversity across their investment managers.

NEPC and 10 asset allocators launched the Investment Diversity Advisory Council (IDAC) in 2020 as an independently operating task force for investment organizations to share best practices and document progress on closing inequity gaps and increasing diversity, equity, and inclusion. IDAC began hosting an annual summit in 2022. Jason Malinowski will be attending and speaking at the 2023 summit.

IDAC's goals are to double the AUM of diverse-owned managers to 3% within the next five years; deliver 10,000 new professionals into the finance industry within a decade; develop DEI disclosure standards; and establish a digital resources library.

### **ESG Semi-Annual Update - Staff**

Leola Ross presented the semi-annual ESG update and provided updates on SCERS's climate and DEI positive action strategies.

Staff continues to engage with several companies through the Climate Action 100+ initiative. Notably, in March 2023, SCERS and Southern Company ("Southern") reached a shareholder resolution withdrawal agreement where Southern agreed to enhance disclosures and engage with organizations producing 1.5-degree Celsius models, initiate a process to update greenhouse gas reduction goals, and continue to dialog in good faith to advance decarbonization efforts.

Dr. Ross reviewed takeaways from the 2023 proxy season. Staff tracked 75 resolutions across 30 companies and director votes across 17 companies. Staff found the ISS Public Funds Policy to be supportive of most shareholder climate-related resolutions and well-aligned with SCERS.

Staff joined the IDAC DEI diversity advisory committee to identify methodologies for collecting DEI data from asset managers. The committee recommended existing industry templates from eVestment and ILPA. Staff requested this information from SCERS's managers and are in the process of aggregating results, closing data gaps, and identifying takeaways.

Stop the Money Pipeline contacted SCERS about a JP Morgan shareholder resolution and a BlackRock board member appointment. Staff met with each manager to discuss.

Mr. Malinowski referenced an email that CM Mosqueda had sent to the Board late yesterday expressing concern about BlackRock backsliding in its support for ESG. Mr. Malinowski provided background on SCERS's prior ESG-related engagement with BlackRock that led to the firm being on watch from 2016 to 2019. SCERS began directing proxy voting for its BlackRock fund investments in 2022. Staff have still been monitoring BlackRock's proxy voting and stewardship activities given their broader importance and also have preliminary concerns that need to be more fully investigated. Staff plans to do more work and provide an update at the October Board meeting. Board members expressed support for that plan.

### **Investment Committee Report – August 31, 2023**

Jason Malinowski reported on the August 31, 2023 Investment Committee (IC) meeting, which was also attended by the Investment Advisory Committee (IAC).

NEPC presented the findings of the asset-liability study and shared the preliminary strategic asset allocation recommendation. As compared to the current strategic asset allocation, the recommendation maintains the same level of expected return with modestly lower asset volatility and funded status volatility. The timeline of the asset-liability study going forward is to finalize the strategic asset allocation and discuss proposed edits to the Investment Policy at the October IC meeting, finalize the policy at the November IC meeting for ratification by the Board in December, and then implement the strategic asset allocation and policy at year-end.

NEPC reviewed the second quarter performance report. For the one-year period ending June 30, 2023, the fund returned 7.3% net of fees. Staff also presented the annual deep dive on the private equity asset class that focused on the denominator effect.

Mr. Malinowski asked that the October and November 2023 Investment Committee meetings be extended from two to three hours; and reduce the applicable Administrative Committee meetings from two to one hour. There is a lot of material to go through for the asset-liability study and a few time-sensitive manager decisions that need to be completed in 2023. IC members were receptive to the change.

### **Executive Director Update**

The September 28, 2023 Administrative Committee has been canceled. A meeting is scheduled for October 26, 2023 during which committee members will discuss updating board charters.

### **Adjourn Meeting**

**Motion:** Upon motion by Judith Blinder, seconded by Jamie Carnell, the Board of Administration voted to adjourn the meeting at 11:25 am. The motion passed unanimously (6-0).



# 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, October 12, 2023

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

**SCERS Staff Present:** Jeff Davis, Paige Alderete, Jason Malinowski, Leola Ross, Nina Melencio Mengfei Cao, George Emerson

**Others Present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Rodney Johnson, "muskan", Elizabeth Paschke (ARSCE), Kevin Balaod (With.Intelligence), Lindsay Saienni (Fin News), Andrew Robinson (FAS), Edie Jorgensen (ARSCE)

### Call to Order

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

### Public Comment

There was public comment from City employee Rodney Johnson. Mr. Johnson shared his concerns about SCERS's use of paper mailings instead of going paperless for all communications with members.

Staff will review these concerns and circle back with the member.

### Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the September 14, 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	\$22,577,170.88
Office Payroll	398,350.83*
Admin Expenses	298,975.34
Investment Expenses	2,016,844.44
<b>Total Expenses – September 2023</b>	<b>\$25,291,381.49</b>

*\*Includes estimated benefit costs*

<b>Retirements, Withdrawals, Other Payouts – September 2023</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	30	\$80,646.24	\$1,568,523.16
Withdrawals	18	n/a	\$1,298,678.02

**Motion:** Upon motion by Judith Blinder, seconded by Joseph Hoffman, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (4-0).

**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. The notion of fiduciary responsibility is the highest form of legal responsibility in the law.

*(10:06 – Kimberly Loving joined the meeting.)*

There has been an interesting development around the country in terms of various states enacting anti-ESG (environmental, social and governance) laws that restrict how their retirement systems can approach ESG issues and banned investments in companies that choose to boycott fossil fuels. In addition, the Federal government is making nuanced changes dependent on the administration on how ESG can be considered by ERISA retirement plans. This does not change anything for SCERS whose concept of fiduciary responsibility comes straight from state law as interpreted by the state Supreme Court.

There is a legal argument that non-fiduciaries who knowingly participate in a breach of fiduciary responsibility can also be held legally responsible for a breach. There was a recent case in Arizona where federal court held that if an outside entity was assisting in breach, they can be held liable.

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

Gary Smith, of the City Attorney’s Office, provided training on the Open Public Meetings Act (OPMA) and reviewed the purpose of the OPMA, potential consequences of OPMA violations, meeting formats, public comment, and executive sessions. Mr. Smith also briefly reviewed the City’s Ethics Code.

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 sub committees are subject to the OPMA. All meetings are open to the public, except for executive session. Meetings must have a quorum. Final action must always take place in an open public meeting even if deliberations occurred during closed session.

There is a newer provision that requires public comment at regular meetings during which any final action is taken during the meeting.

**Investment Committee Report – September 28, 2023**

Jason Malinowski reported on the September 28, 2023 Investment Committee (IC) meeting. Staff presented the annual deep dives on Credit Fixed Income and Real Estate. NEPC introduced opportunistic credit which is a higher risk and higher return strategy within the Credit Fixed Income asset class.

Staff recommended a commitment of up to \$30 million to Monarch Capital Partners VI LP (MCP VI), an opportunistic credit strategy. NEPC concurred with this recommendation and has selected MCP VI as a preferred strategy with a top rating of 1.

**Motion:** Upon motion by Jamie Carnell, seconded by Judith Blinder, the Board of Administration accepted the Investment Committee's recommendation to commit up to \$30 million to Monarch Capital Partners VI LP, pending satisfactory legal review. The motion passed unanimously (5-0).

Leola Ross provided an update on staff's review of BlackRock's proxy voting and stewardship activities, as a follow-up to a request by CM Mosqueda that SCERS send a letter to BlackRock expressing ESG-related concerns, which was discussed at the September Board meeting. Staff reviewed the appointment of Amin Nasser, CEO of Saudi Aramco, to BlackRock's Board and felt that he provided a reasonably diverse background and perspective even though staff would have preferred someone without a vested interest in the fossil fuel industry. Staff also reviewed BlackRock's 2023 proxy voting records and noted several high-quality ESG-related shareholder resolutions that BlackRock failed to support. Staff plans to send a letter to BlackRock expressing concerns with their recent proxy voting and requesting a meeting with their investment stewardship team. Staff will report back to the SCERS Board at the next regular ESG update.

Ms. Blinder and Ms. Carnell agreed that the staff plan is appropriate, and the strategy is consistent with SCERS's engagement focus. Ms. Carnell also expressed appreciation with staff's due diligence.

Ms. Crawford asked Mr. Davis to reach out to CM Mosqueda and provide an update.

### **Death Benefit Payments**

Paige Alderete provided background on death benefit payments. One of the SCERS's big priorities has been to reduce the service request backlogs and Ms. Alderete informed the Board that most backlogs have been eliminated and turnaround times have been reduced to a few weeks. The only area that still has some backlog is the death benefit area. Staff have found a handful of death benefits in which the estates have been closed. The Seattle Municipal Code allows the Board to authorize staff to process a member's death benefit payments to the member's heir.

**Motion:** Upon motion by Judith Blinder, seconded by Joseph Hoffman, the Board of Administration delegated authority to SCERS staff to process a member's death benefit payments to a member's heir in accordance with SMC 4.36.690(A), in cases where the member's estate is not being probated. The motion passed unanimously (5-0).

### **Executive Director Update**

Jeff Davis wanted to give a shout out to Ms. Alderete and the Member Services team on the dramatic improvement in service to our members and reducing turnaround times. Mr. Davis also wanted to give kudos to Dr. Ross for her diligence in looking at ESG issues with BlackRock. Staff are doing great work.

Ms. Crawford agreed that the staff are doing amazing work and thanked them.

### **Closed Session for Quasi-judicial Matter/Expected Litigation to review Disability Retirement Application**

The Board entered a closed session at 11:03 a.m. for approximately 20 minutes to discuss a quasi-judicial matter and actual or pending litigation with legal counsel.

The Board returned to public session at 11:12 am.

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

### **Adjourn Meeting**

**Motion:** Upon motion by Judith Blinder, seconded by Joseph Hoffman, the Board of Administration voted to adjourn the meeting at 11:13 am.



# 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, November 9, 2023**

**Board Members Present:** Teresa Mosqueda (Chair), Judith Blinder, Maria Coe, Sherri Crawford, Joseph Hoffman, Jamie Carnell

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

**Others Present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Andrew Robinson (FAS), Joe Ebisa (With Intelligence), Lindsay Saienni (Fin News), Nick Pealy (ARSCE), Edie Jorgensen (ARSCE), Tom Mikesell (LEG)

### **Call to Order**

Teresa Mosqueda, 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 October 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	\$22,794,121.64
Office Payroll	494,482.37
Admin Expenses	328,189.02
Investment Expenses	46,500.40
<b>Total Expenses – October 2023</b>	<b>\$23,663,293.43</b>

*\*Includes estimated benefit costs*

<b>Retirements, Withdrawals, Other Payouts – October 2023</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	33	\$91,371.71	\$2,231,992.07
Withdrawals	13	n/a	\$266,917.26

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

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

Jason Malinowski reported on the October 26, 2023 Investment Committee meeting.

Staff presented the strategic asset allocation final recommendation that is reflected in the updated Investment Policy to gather feedback from the committee. At its next meeting in November, the Investment Committee will consider recommending the updated Investment Policy to the Board.

Staff recommended a commitment of up to \$30 million to Brookfield Strategic Real Estate Partners V, a global and sector diversified non-core real estate strategy. NEPC concurred with staff's recommendation and selected BSREP V as a preferred strategy on their Focused Placement List (FPL) strategy with a top rating of 1.

Ms. Mosqueda asked if there were investments in single-family rental homes. Mr. Malinowski responded that Brookfield invests in most property types. There is a limited allocation to single-family rental homes of less than 1% in the prior fund. Brookfield is focused on building new communities rather than buying existing homes.

**Motion:** Upon motion by Jamie Carnell, seconded by Sherri Crawford, the Board of Administration accepted the Investment Committee's recommendation to commit up to \$30 million to Brookfield Strategic Real Estate Partners V, pending satisfactory legal review. The motion passed unanimously (6-0).

Staff recommended a commitment of up to \$20 million to AG Europe Realty Fund IV ("AG Europe IV" or "Fund"), a European non-core real estate strategy. AG Europe IV is managed by Angelo, Gordon & Co., L.P. ("Angelo Gordon"). NEPC concurred with staff's recommendation and selected AG Europe IV as a preferred strategy on their Focused Placement List (FPL) strategy with a top rating of 1.

There was discussion on Angelo Gordon's acquisition by TPG. There is little risk in the near term as TPG will keep it as a separate business and it will be managed by the same team, but the combined organization will need to be monitored going forward. The acquisition closed on November 1, 2023.

**Motion:** Upon motion by Sherri Crawford, seconded by Joseph Hoffman, the Board of Administration accepted the Investment Committee's recommendation to commit up to \$20 million to AG Europe Realty Fund IV, pending satisfactory legal review. The motion passed unanimously (6-0).

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

Jeff Davis reported on the October 26, 2023 Administrative Committee.

Paige Alderete reviewed the results of the 2023 Staff Satisfaction Survey. The participation rate was the highest of the three surveys conducted since 2019. Across the board, staff satisfaction went up. The results were shared with staff at the monthly all staff meeting.

Four charters and one policy were 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 Board Chair Charter, Secretary to the Board Charter, and Treasurer to the Board Charter. There were slight revisions to the Executive Director Charter and the Board's Election Policy.

**Motion:** Upon motion by Judith Blinder, seconded by Maria Coe, the Board of Administration accepted the Administrative Committee's recommendation to reaffirm the Board Chair Charter. The motion passed unanimously (6-0).

**Motion:** Upon motion by Jamie Carnell, seconded by Judith Blinder, the Board of Administration accepted the Administrative Committee's recommendation to reaffirm the Secretary of the Board Charter. The motion passed unanimously (6-0).

**Motion:** Upon motion by Sherrri Crawford, seconded by Maria Coe, the Board of Administration accepted the Administrative Committee's recommendation to reaffirm the Treasurer of the Board Charter. The motion passed unanimously (6-0).

**Motion:** Upon motion by Sherrri Crawford, seconded by Judith Blinder, the Board of Administration accepted the Administrative Committee's recommendation to adopt the revised Executive Director Charter. The motion passed unanimously (6-0).

**Motion:** Upon motion by Judith Blinder, seconded by Jamie Carnell, the Board of Administration accepted the Administrative Committee's recommendation to adopt the revised the Board of Administration Election Policy. The motion passed unanimously (6-0).

## **Executive Director Update**

Mr. Davis reminded the Board the Investment Committee and Administrative Committee will meet on November 30<sup>th</sup>. Neither committee meets during the month of December. The last meeting for 2023 will be the Board of Administration meeting on December 14, 2023.

Ms. Mosqueda expressed appreciation to Mr. Davis gathering information for City Council to consider on an amendment CM Pedersen presented to City Council. CM Pederson's amendment would bring the City's contribution rate down to 15.17%, the Actuarially Required Contribution rate, instead of the board recommended rate of 15.82%.

Mr. Davis stated that it is anticipated that the contribution rates will go up for the next few years which is why the Board recommended to maintain the current contribution rate.

Ms. Mosqueda recognized Nick Pealy from ARSCE. Mr. Pealy wanted to remind the board that active members can join ARSCE for \$15 per year even though they are an advocacy organization for retirees. ARSCE's holiday luncheon is on December 13<sup>th</sup>. Ms. Mosqueda asked Mr. Pealy to send information about the luncheon in case board members are available to attend.

### **Adjourn Meeting**

**Motion:** Upon motion by Sherri Crawford, seconded by Joseph Hoffman, the Board of Administration voted to adjourn the meeting at 10:37 am. The motion passed unanimously (6-0).



# 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, December 14, 2023

**Board Members Present:** Teresa Mosqueda (Chair), Sherri Crawford, Judith Blinder, Maria Coe, Joseph Hoffman, Jaime Carnell, Kimberly Loving

**SCERS Staff Present:** Jeff Davis, Jason Malinowski, Paige Alderete, Nina Melencio, Mengfei Cao, George Emerson, Leola Ross

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

### Call to Order

Teresa Mosqueda, Chair, called the meeting to order at 10:02 am.

Ms. Mosqueda stated this was her last Board meeting and that she will be on the King County Council starting 2024. She said that since her first meeting at the beginning of the pandemic, SCERS has sustained the stability of the fund and provided assurance for retirees.

### Public Comment

There was no public comment.

### Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the November 8, 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	\$23,976,673.75
Office Payroll	395,270.69
Admin Expenses	362,231.77
Investment Expenses	2,366,545.07
<b>Total Expenses – November 2023</b>	<b>\$27,100,721.28</b>

*\*Includes estimated benefit costs*

<b>Retirements, Withdrawals, Other Payouts – November 2023</b>			
	<b>Count</b>	<b>Monthly Pension</b>	<b>Lump Sum Distribution</b>
Retirements	17	\$42,648.34	\$1,382,160.88
Withdrawals	10	n/a	\$253,976.11

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

### **Investment Committee Report – November 30, 2023**

Jason Malinowski reported on the November 30, 2023 Investment Committee meeting, which the Investment Advisory Committee also attended.

The Investment Policy was updated to reflect the new strategic asset allocation that resulted from the asset-liability study conducted throughout 2023. Additionally, references were added to SCERS’s liabilities in several sections, Long-Term Fixed Income was added as an asset class, and language around ESG was updated to be in line with the ESG Policy adopted in 2022.

**Motion:** Upon motion by Sherri Crawford, seconded by Joseph Hoffman, the Board of Administration accepted the Investment Committee’s recommendation to adopt the revised Investment Policy effective January 1, 2024, that reflects updated strategic asset allocation targets of 46% Public Equity, 11% Private Equity, 14% Core Fixed Income, 5% Long-Term Fixed Income, 7% Credit Fixed Income, 12% Real Estate and 5% Infrastructure. The motion passed unanimously (7-0).

The addition of the Long-Term Fixed Income asset class required hiring an investment manager. Staff recommended a \$180 million investment in a passive separate account managed by Russell Investments. NEPC concurred with the recommendation. Russell Investments was recommended because of their well-resourced and longstanding team, attractive fees, and their low tracking error in similar accounts.

**Motion:** Upon motion by Sherri Crawford, seconded by Maria Coe, the Board of Administration accepted the Investment Committee’s recommendation to invest \$180 million in a long-term fixed income account managed by Russell Investments, pending satisfactory legal review. The motion passed unanimously (7-0).

Staff also recommended a commitment of up to \$17.5 million to Global Infrastructure Partners V, a global and sector diversified infrastructure strategy. SCERS has invested in two prior funds managed by Global Infrastructure Partners. NEPC concurred with the recommendation and has underwritten GIP V as a Focused Placement List (FPL) strategy with the highest rating of 1.

Ms. Blinder stated that she has confidence in this manager and noted that they invest in large projects, which makes them a little less diversified. She would like to see updates as the portfolio is being invested given this potential concern.

**Motion:** Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration accepted the Investment Committee's recommendation to commit up to \$17.5 million plus applicable management fees to Global Infrastructure Partners V, pending satisfactory legal review. The motion passed unanimously (7-0).

Mr. Malinowski covered the other items on the agenda. NEPC reviewed investment performance through September 2023. Staff detailed how the new strategic asset allocation would be implemented, and previewed the investment consultant search that will be conducted next year as NEPC's contract expires on June 30, 2024. Lastly, staff presented the annual cost effectiveness and fee analysis, which showed that investment-related costs were stable year-over-year and that SCERS continued to get value from the costs incurred.

### **Administrative Committee Report – November 30, 2023**

Paige Alderete reported on the November 30, 2023 Administrative Committee. Ms. Alderete provided a recap of SCERS's Pension Administration System (PAS), the current state of the system, and next steps. SCERS's current system went live in January 2019 and the contract with Vitech ends in December 2024.

Vitech has changed its business model. Going forward, they will only offer their new cloud platform/subscription model called V3locity. SCERS has a decision to make since the current contract with Vitech includes hosting services, which are ending.

Options include:

- Move to V3locity
- Move hosting on-premises
- Select new vendor

In the first quarter of 2024, staff will be doing an options analysis and plan to come back to the committee in April with recommendations.

### **Executive Director Update**

Mr. Davis reported that the City Council did not move forward with the Board's recommendation to leave the City contribution rate at 15.82%. The City Council chose to set the rate at 15.17% which is the actuarially required contribution. The only concern is that the contribution rate is expected to increase in the future since there is a deferred loss. SCERS needs to ensure that the City continues to honor their commitment to SCERS.

CM Mosqueda is budget chair for the City Council. She stated that despite SCERS's best efforts to educate the council about the board's recommendation, the slightly lower rate was ultimately approved against her objections.

Mr. Davis and other board members thanked CM Mosqueda for her leadership, partnership and working with SCERS through tumultuous times post-Covid. He congratulated her on her election to the King County Council.

### **Quasi-judicial/Expected Litigation to review Disability Retirement Application**

The Board entered into a closed session for approximately 20 minutes at 11:29 am to discuss a quasi-judicial matter and actual or pending litigation with legal counsel.

The Board returned to regular session at 10:52 am.

**Motion:** Upon motion by Kimberly Loving, seconded by Jamie Carnell, the Board of Administration affirmed the conclusion of the independent medical examination and did not approve the retirement disability application of Marco Hernandez. The motion passed unanimously (7-0).

CM Mosqueda stated that there is an opportunity for next steps for Mr. Hernandez and he will be notified by staff.

**Adjourn Meeting**

CM Mosqueda adjourned the meeting at 10:55 a.m.