



# Seattle City Employees' Retirement System

**Investment Committee Meeting**  
Pacific Building, 720 3<sup>rd</sup> Avenue, Suite 900, Seattle  
(206) 386-1293

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## **Minutes, Thursday, November 18, 2021**

**The meeting was held virtually.**

**IC Members Present:** Robert Harvey, Jr. (Chair), Lou Walter, Judith Blinder, Sherri Crawford, Kimberly Loving, Glen Lee

**IAC Members Present:** Joseph Boateng (Chair), Steve Hill, Cathy Cao, Dwight McRae, Keith Traverse

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

**Others Present:** Mike Monaco (MMPL), Don Stracke (NEPC), Mike Malchenko (NEPC), Tim Morrison (FAS); Samuel Slade (With.Intelligence), Lauren Albanese (Fin News)

### **Call to Order**

Robert Harvey Jr., Chair, called the meeting to order at 12:00 pm.

### **Public Comment**

There was no public comment.

### **Minutes**

Approved Minutes from the October 28, 2021 Investment Committee.

**Motion:** Upon motion by Lou Walter, seconded by Sherri Crawford, the Investment Committee approved the minutes from the October 28, 2021 Investment Committee meeting. The motion passed unanimously (6-0).

### **Quarterly Performance Review – Q3 2021**

Mike Malchenko of NEPC reviewed the performance report for the period that ended September 30, 2021.

The portfolio continues to perform well in a post-pandemic environment. Gross performance over the last 30 years is 7.7%, above the assumed rate of return of 7.25%. For the one-year period ending September 30, 2021,

the fund returned 23.3% net of fees, outperforming the benchmark by 1.4% and ranking in the top quartile among its public pension peers. Assets increased from \$3.32 billion one year ago to \$3.93 billion as of September 30, 2021.

Mr. Harvey applauded the decision to move to private equity several years ago given the strong performance the asset class has achieved.

### **Real Estate Manager Redemption – Heitman American Real Estate Trust**

Jason Malinowski and Mengfei Cao provided staff's recommendation to redeem from the Heitman American Real Estate Trust ("HART") in which SCERS has \$73.8 million invested as of September 30, 2021. This recommendation is due to staff and NEPC identifying better opportunities within the US core/core plus real estate manager universe to generate excess performance and complement the remaining real estate allocation. Staff expects to recommend a subsequent manager in the first half of 2022. NEPC concurs with the recommendation.

**Motion:** Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee recommended that the Board of Administration redeem from the Heitman American Real Estate Trust. The motion passed unanimously (6-0).

### **Cost Effectiveness and Fee Analysis**

George Emerson presented the cost effectiveness and fee analysis which detailed the investment costs incurred across the portfolio and evaluated their cost effectiveness. SCERS's Accounting team works closely with BNY Mellon in tracking direct manager costs including management fees, performance fees and fund expenses.

SCERS has participated in the CEM Benchmarking survey since 2017. The survey provides a comparison of investment costs to other institutional investors. SCERS's investment-related costs for 2020 totaled \$20.2 million (0.66% of fund assets), with the vast majority related to investment manager fees and expenses at \$18.7 million. Staff oversight, custodial and consulting services represented the remaining \$1.5 million. These figures are based on CEM Benchmarking's methodology that excludes performance fees for private market asset classes.

SCERS's fees are modestly lower than a peer group of similarly sized U.S. pension funds. The reasons for this are that SCERS's portfolio is more passively managed and where actively managed there are lower fees, which is offset somewhat by a greater use of fund-of-funds.

SCERS assesses the effectiveness of costs incurred by comparing net-of-fee performance to its Passive Reference Benchmark that represents an investable portfolio available at very low cost. Since 2011, SCERS has outperformed the Passive Reference Benchmark by 0.6% on an annualized basis after accounting for the 0.5% in estimated investment costs incurred annually.

There was a discussion on subscribing to a premium service offered by CEM Benchmark that provides a dashboard with more data and custom peer comparisons. Several IC members expressed support for subscribing to this service.

### **Adjourn Meeting**

**Motion:** Upon motion by Lou Walter, seconded by Sherri Crawford, the Investment Committee voted to adjourn the meeting at 1:15 p.m. The motion passed unanimously (6-0).