



Seattle City Employees' Retirement System

Investment Committee Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle
(206) 386-1293

Minutes, Thursday, March 31, 2022

IC Members Present: Robert Harvey, Jr. (Chair), Lou Walter, Judith Blinder, Glen Lee, Teresa Mosqueda

IAC Members Present: Joseph Boateng

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Don Stracke (NEPC), Dan Landers (Horsley Bridge), Du Chai (Horsley Bridge), Josh Freeman (Horsley Bridge), Matt Courtois (FAS), Tom Mikesell (LEG), Guy Oron

Call to Order

Robert Harvey, Jr., called the meeting to order at 12:03 pm

Public Comment

There was no public comment.

Minutes

Approved Minutes from the February 24, 2022 Investment Committee.

Motion: Upon motion by Judith Blinder, seconded by Lou Walter, the Investment Committee approved the minutes from the February 24, 2022 Investment Committee meeting. The motion passed 4-0-1 with Teresa Mosqueda abstaining.

Manager Research Process

Staff presented the process used in researching potential managers.

Prior to 2015, the Board had a more active role in manager research and advocated for a change in the process since they felt that investment experience and knowledge existed elsewhere in SCERS. The current manager research process has been in place since 2015 which also coincided with increasing investment staffing as well as the addition of a Chief Investment Officer position.

Independent due diligence is performed by investment staff and NEPC to arrive at a joint recommendation to the board. The due diligence is based on a comprehensive set of investment and operational factors. The manager selection process usually takes six to 12 months and takes over 100 hours of staff time plus the separate due diligence from NEPC. ESG considerations are integrated in manager selection recommendations and are specifically relevant to team, process, and risk management factors.

SCERS is time-limited in its ability to invest with certain managers. Timely consideration of managers by the Investment Committee and the full Board of Administration is critical, since managers often have limited fund-raising periods, offer discounts to early investors, or have limited capacity. Staff do an annual presentation in January of each year to preview the searches that are occurring that year.

Mr. Stracke of NEPC stated that SCERS's investment manager search process is rigorous and consistent with industry standards based on NEPC's work with over 300 institutional investors.

Ms. Blinder commented that she has worked in the investment field and is a Chartered Financial Analyst (CFA), so she understands what is involved. She appreciates the amount of work that staff does in rigorously selecting managers.

Mr. Harvey added that SCERS's performance for the last 10 years has been above expectations and selecting quality managers is a key contributing factor.

Venture Capital Fund-of-Funds Manager Selection

Staff recommended a commitment of up to \$30 million to Horsley Bridge Venture 14 ("HB 14"), a global venture capital fund-of-funds strategy. HB 14 is managed by Horsley Bridge Partners ("HB"). Staff is recommending the manager because of their experience and specialization in early-stage venture capital, organizational independence and alignment, relatively attractive feed schedule, and exceptional track record. NEPC concurred with the recommendation.

Josh Freeman, Dan Landers, and Du Chai from Horsley Bridge provided background information on the firm and the fund and answered questions from the committee members.

HB 14 is targeting a final close on May 31st at or exceeding the target of \$1.75 billion. The commitment period is expected to continue through mid-2023 providing exposure to three vintage years. HB has built a strong brand in the venture capital industry, which affords them access to the top tier of early-stage venture capital funds.

There was discussion on the risk of being part of new markets and new technologies. HP addresses that risk by investing with 40 to 45 venture capital groups that are spread geographically. Venture capital risk is skewed on the upside and is not dependent on the economic growth cycle.

<u>Motion:</u>	Upon motion by <u>Lou Walter</u> , seconded by <u>Glen Lee</u> , the Investment Committee recommended that the Board of Administration commit up to \$30 million to Horsley Bridge Venture 14, pending satisfactory legal review. The motion passed 4-0-1 with Teresa Mosqueda abstaining.
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Mr. Davis stated that staff will be coming to the full board at the April board meeting to talk about the process in updating the ESG policy. They will get feedback from the board and then turn it over to the Administrative Committee for revisions. Typically, the Administrative Committee is where policy documents are revised before coming back to the full board for review. The Administrative Committee will be reviewing the ESG policy at its April and May meetings. The intention is to come back to the full board at the June Board of Administration meeting.

Adjourn Meeting

Motion: Upon motion by Lou Walter, seconded by Judith Blinder, the Investment Committee voted to adjourn the meeting at 1:48 pm. The motion passed unanimously (5-0).