



Seattle City Employees' Retirement System

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

Minutes, Thursday, September 8, 2022

Board Members Present: Robert Harvey, Jr. (Chair), Judith Blinder, Jamie Carnell, Lou Walter, Kimberly Loving

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Phillip Nelson (NEPC), Elizabeth Paschke (ARSCE), Joe Ebisa, Lauren Albanese, Matt Courtois, "Kevin"

Call to Order

Robert Harvey, Jr., Chair, called the meeting to order at 10:00 am.

Public Comment

Elizabeth Paschke, representing the Association of Retired Seattle City Employees (ARSCE), provided public comment requesting that the Board review increasing the cost-of-living adjustment (COLA) for retirees which is currently at 1.5%.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the August 11, 2022 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$23,257,291.47
Office Payroll	385,741.42
Admin Expenses	438,466.88
Investment Expenses	557,075.44
Total Expenses – August 2022	\$24,638,575.21

**Includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – August 2022			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	38	\$96,286.96	\$1,364,081.48
Withdrawals	31	n/a	\$1,330,905.45

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

Semi-Annual ESG Update – Staff

Leola Ross presented the semi-annual ESG update. The ESG Policy was recently updated that resulted in changing the frequency of ESG updates to the Board from quarterly to semi-annually.

Dr. Ross provided an update on the climate positive action strategy. Staff continues to engage with several companies through the Climate Action 100+ initiative. Notably, Southern Company improved their disclosure of Scope 3 emissions and revenue associated with low-carbon power generation. SCERS also wrote a letter to the Securities and Exchange Commission supporting its proposal for improved climate disclosure from public companies. SCERS-invested managers are carefully evaluating the Inflation Reduction Act (IRA) which is expected to be a landmark pivot-point in U.S. policy action to combat climate change. Sustainability themes like renewable energy, battery storage, green real estate, and clean infrastructure are bolstered by these policy advancements.

Dr. Ross also provided an update on the diversity, equity, and inclusion positive action strategy, which was recently formalized in the ESG Policy. Jason Malinowski attended the Investment Diversity Advisory Council (IDAC) kick off meeting in Atlanta. IDAC is a collaborative effort of consultants, asset owners, diverse and emerging asset managers, and majority non-diverse asset managers seeking to improve investment outcomes by improving diversity across the investment industry. Staff have been active participants in the Charter of Principles, IDAC Governance, DEI Disclosure Standards Working Groups, and the Nomination Committee. The organization was founded in large part due to the extensive efforts of NEPC.

Mr. Malinowski provided follow-up information to the Board regarding public comment at the August Board from two tenants in Brooklyn, and a bill introduced by Representative Adam Smith in July called the Saving Homes from Acquisition by Private Equity Act (SHAPE).

ESG Annual Consultant Review – NEPC

Phil Nelson, Head of Asset Allocation at NEPC, focused the ESG annual consultant review on recent updates and findings of their climate change policy scenarios. In 2019, staff worked with NEPC on the first version of the climate change scenarios, which Mr. Nelson presented to the Board at that time.

The goal of the climate change scenarios is to reveal the long-term investment implications of climate change and the impact on capital markets. Climate change risk factors include weather events, temperature extremes, water availability, food security and coastal impact. NEPC believes that higher levels of climate change will lead to greater inflation, as economic inputs become scarcer.

NEPC's scenarios are not a forecast but represent an exercise to highlight how climate change can potentially impact key discount factors and risk premia across the capital markets. Scenarios include:

- Dystopian (5° C) – nations reverse current policies that mitigate greenhouse gas emissions

- Indifference (3.5° C) – current mitigation policies in place, nothing changes
- Aspirational (2.5° C) – policy pledges are implemented to lower greenhouse gas emissions
- Innovation (1.5° C) – revolutionary technologies across industries reduce greenhouse gas emissions

SCERS's performance over a 30-year horizon is expected to be weakest in the Dystopian scenario and strongest in the Innovation scenario. NEPC recommends that clients engage with companies, policymakers, and the investment community to address climate change risk factors.

Investment Committee Report – August 25, 2022

Jason Malinowski reported on the August 25, 2022 Investment Committee meeting. There were no voting items at this meeting. NEPC provided their Q2 2022 performance update. The first half performance was negative in line with the benchmark and other public pension plans. George Emerson and Mengfei Cao presented a deep dive on the core fixed income asset class.

Executive Director Update

Mr. Harvey announced that he and his wife will be relocating to California the first quarter of 2023. Mr. Harvey is the appointed member of the board of administration. This is not an elected position, and the trustee is selected by the six other board members.

Mr. Davis stated that the Board will need to discuss the process on selecting the appointed member of the Board of Administration. The discussion will begin at the September Administrative Committee meeting.

Adjourn Meeting

<u>Motion:</u>	Upon motion by <u>Lou Walter</u> , seconded by <u>Jamie Carnell</u> , the Board of Administration voted to adjourn the meeting at 11:30 am. The motion passed unanimously (5-0).
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