



Seattle City Employees' Retirement System

Board of Administration Meeting
Pacific Building, 720 3rd 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.

The following items represent normal expenses:	
Pension Payroll	\$23,958,351.82
Office Payroll	402,824.19
Admin Expenses	342,209.50
Investment Expenses	1,556,772.79
Total Expenses – August 2023	\$26,260,158.30

**Includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – August 2023			
	Count	Monthly Pension	Lump Sum Distribution
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).