



Seattle City Employees' Retirement System

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

Minutes, Thursday, January 14, 2021

Due to the "Healthy Washington, Roadmap to Recovery" order issued by Governor Inslee, the meeting was held remotely.

Board Members Present: Teresa Mosqueda (Chair), Robert Harvey, Jr., Sherri Crawford, Judith Blinder, Bobby Humes, Glen Lee

IAC Members Present: Joseph Boateng (IAC Chair), Steven Hill

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Jill Johnson, Cecelia Chen, George Emerson, Nina Melencio, Mark Schimizza

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Dan Eder (LEG), Jeannette Voiland (ARSCE), KUOW Radio, Michael Barela (Voya Investment Management), Chase Kitchen (MO)

Call to Order

Teresa Mosqueda, Chair, called the meeting to order at 10:01 a.m.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the December 10, 2020 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$19,342,220
Office Payroll	438,145*
Admin & Investment Expenses	712,412
Total Expenses – December 2020	\$20,492,777

**includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – December 2020			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	14	\$48,125.17	\$422,161.03
Withdrawals	17	n/a	\$428,511.06

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

ESG Quarterly Update Follow-up on Divestment

Ms. Mosqueda stated that the presentation is a requested follow-up about existing policies as they relate to divestment. She is seeking to learn more about past consideration, existing policy and what other jurisdictions and municipalities have considered. There is no action item on the agenda.

Staff reported that SCERS has undertaken six studies of fossil fuel divestment since 2013. Each study concluded that divestment is financially imprudent and, therefore, conflicted with the Board's fiduciary responsibilities. The Board unanimously established an ESG positive action strategy in 2015 after declining to pursue fossil fuel divestment. In 2019, the Board unanimously adopted a revised ESG policy that explicitly ruled out divestment.

Jason Malinowski provided a summary of the financial analysis. There are several reasons why divestment is deemed financially imprudent. Divestment reduces diversification, resulting in increased portfolio risk. Washington state law requires SCERS's portfolio to be diversified. Divestment also directly contradicts SCERS's investment beliefs and strategy that emphasize passive investing.

Mike Monaco, the Board's outside counsel, provided a summary of the legal analysis conducted in 2017. SCERS is subject to strict requirements of fiduciary responsibility under Washington state law, including a duty of loyalty to system members and duty of prudence. Mr. Monaco concluded that the Board may not sacrifice its financial objectives to pursue other objectives, even if they are laudable.

Mr. Malinowski reviewed the three pillars of the ESG positive action strategy, including shareholder advocacy, sustainability investments and integrating climate risk into the investment process. He provided several key accomplishments since the strategy was established in 2015.

Joseph Boateng, Chair of the Investment Advisory Committee, discussed whether divestment changes corporate behavior. He concluded that engagement is a more meaningful way to have impact since divestment leads to losing your voice and the ability to influence management.

Mr. Malinowski presented the peer update. No U.S. public pension plan has divested or committed to divest from fossil fuel companies. There have been many false and misleading media reports of plans divesting. Staff anticipates that a public plan will eventually divest, but this would have no bearing on SCERS's financial and legal analysis, and the conclusions presented to the Board.

Jeff Davis concluded the presentation by noting that climate change is a threat and addressing it is a laudable goal. The primary interest of SCERS is for its members and that members receive the benefits they have earned. The act of divestment places other concerns before the interest of members and is not an effective way of changing corporate behavior. Staff will continue to report to the Board on industry trends and what SCERS is doing to carry out its positive action strategy.

Ms. Mosqueda requested to continue the conversation at the next meeting to include information on what is happening with other systems. She would also like to invite FFI to present. Mr. Davis responded that staff will dive deeper in what other pension systems have done, including separating the stated action versus what is actually occurring. He also noted that SCERS's investment policy is foundational and is not influenced by what other pension systems are doing or not doing.

Ms. Crawford concurred that she would be interested in learning more about what other pension plans are doing. She would like to address global warming but is not convinced that divestment will get SCERS there. Mr. Lee concurred with the enhanced assessment for the next meeting.

The Board discussed the Mayor's letter requesting fossil fuel divestment. Mr. Harvey expressed concern about a line being crossed since the Mayor does not have the authority to compel the system to do anything other than what the Board is fiduciarily required to do. He questioned whether responding to the request would set a poor precedent. Mr. Monaco agreed with Mr. Harvey that people outside the Board do not have the right to control the Board or require the Board to respond. At the same time, the Board can make appropriate judgements on how to respond to any issues that are raised. Ms. Mosqueda has asked the board for consideration of the letter, so the matter is properly in front of the Board to be considered.

Ms. Mosqueda stated that she sees the Mayor's letter as public comment. Given the mayor's role and out of respect for her office, a response is appropriate.

Authorized Parties Form

The Authorized Parties Form is a form required by SCERS's custodial bank, BNY Mellon, that lists those individuals that have authorization to transfer cash and make transactions. The form is being updated to reflect Tony Smith's retirement and the hiring of George Emerson. Any time BNY Mellon is directed to transact, it requires action by someone on the investment team and someone on the management team.

Motion: Upon motion by Judith Blinder, seconded by Sherri Crawford, the Board of Administration approved the Authorized Parties Form effective January 14, 2021. The motion passed unanimously (6-0).

Executive Director Update

SCERS's Planning for Retirement seminar has been recorded and is now available for members on the SCERS's public-facing website.

Mr. Davis thanked Charles Bernal, Ronda Iriarte, and Paige Alderete for their work on this project.

Closed Deliberation to review Disability Retirement Application

The Board entered closed deliberations to review a Disability Retirement application at 11:20 am for 20 minutes.

The Board reconvened to regular session at 11:29 a.m.

Motion: Upon motion by Bobby Humes, seconded by Robert Harvey, Jr., the Board of Administration denied the retirement disability application that was presented in accordance with the determination of the independent medical examination. The motion passed unanimously (6-0).

Adjourn Meeting

Motion: Upon motion by Teresa Mosqueda, seconded by Bobby Humes, the Board of Administration voted to adjourn the meeting at 11:35 a.m. The motion passed unanimously (6-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, February 11, 2021

Due to the "Healthy Washington, Roadmap to Recovery" order issued by Governor Inslee, the meeting was held remotely.

Board Members Present: Teresa Mosqueda (Chair), Robert Harvey, Jr., Sherri Crawford, Judith Blinder, Bobby Humes, Glen Lee

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Jill Johnson, Cecelia Chen, George Emerson, Nina Melencio, Selam Teklemariam, Ronda Iriarte, Mark Schimizza

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Michael Palmieri (FFI Solutions), David Root (FFI Solutions), Chris Ito (FFI Solutions), Tony Fareed (FFI Solutions), Tom Mikesell (Legislative), Tim Morrison (FAS), Chase Kitchen (MO)

Call to Order

Teresa Mosqueda, Chair, called the meeting to order at 10:01 am.

Public Comment:

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the January 14, 2021 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$18,796,776
Office Payroll	\$259,726*
Admin & Investment Expenses	(\$1,827,322)**
Total Expenses – January 2021	\$17,229,180

*includes estimated benefit costs

**negative expense due to Q4 2020 expenses that were reversed in January 2021

Retirements, Withdrawals, Other Payouts – January 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	24	\$103,888.02	\$501,991.21
Withdrawals	5	n/a	\$272,391.50

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

Divestment Discussion Follow-up

Council Member (CM) Mosqueda had invited representatives from FFI Solutions (FFI) to present their perspective on fossil fuel divestment and to answer questions from the Board. FFI is a research analytics-driven advisory firm focused on sustainable investments. FFI representatives were Mike Palmieri, Chris Ito, and David Root.

Mr. Palmieri described the multiple approaches that investors are taking to managing climate risk, including shareholder engagement, exclusionary screening/divestment, ESG integration, manager selection and changing benchmarks. FFI does not advise investors whether to divest or not from fossil fuels as that decision is based on their unique circumstances, investment views and operations. FFI acknowledged that divestment for a pension plan is a higher bar than for other investors. FFI observed that SCERS has done an admirable job of integrating climate risk into its investment process.

Ms. Blinder asked about the risks associated with the energy transition and whether they may already be reflected in stock prices. She takes her fiduciary duty very seriously and would need strong convincing to deviate from SCERS's current strategy.

CM Mosqueda understood that certain systems are creating a process in-line with their fiduciary duty to look at specific fossil fuel investments, rather than divesting across the total portfolio.

Jeff Davis introduced the next agenda item and recapped the discussion from the January 14, 2021 Board meeting. SCERS's multiple studies have concluded that divestment is financially imprudent and therefore conflicts with the Board's fiduciary duty. The purpose of this follow-up discussion is to review the divestment actions taken by other US public pension plans.

Jason Malinowski began the peer review presentation. He caveated that the analysis and conclusions presented to the Board previously will not change because of any divestment actions of other US public pension plans.

CM Mosqueda believes it is inaccurate to think of divestment as black and white. Her interest is understanding how divestment is being defined and explore whether there are opportunities to improve the portfolio.

Mr. Malinowski continued with the presentation. SCERS and 200 other large public plans do not exclude fossil fuel companies. There are five public plans who do some form of fossil fuel exclusion, which include CalPERS, CalSTRS, New York State Common, San Francisco ERS and a subset of the New York City Retirement Systems. He provided a comparison of these plans to SCERS in terms of portfolio size, funded ratio, portfolio structure and board composition.

CM Mosqueda requested a comparison with the City of Pittsburgh and asked if the jurisdictions being discussed have a similar target return as SCERS. Mr. Malinowski responded that the target returns are in the same range. He did not know the details about Pittsburgh, so Jill Johnson was asked to look into this during the meeting.

Mr. Malinowski reviewed the detailed information for the five systems that comes directly from each system rather than relying on media reports. CalPERS and CalSTRS have divested from thermal coal companies as mandated by the California state legislature in 2015. CalPERS and CalSTRS have also rejected calls to divest broadly from fossil fuel companies.

Glen Lee asked if the California state legislation is being litigated. Mike Monaco stated that each state has their law on fiduciary responsibility, so the California state legislature can mandate divestment and the plans would have to follow the law. He would not expect to see any type of challenge because it is the state's prerogative.

Mr. Malinowski continued with San Francisco ERS who has divested from thermal coal companies and began divesting from a limited number of oil and gas companies. The exclusion only applies to directly owned securities and does not apply to commingled funds.

Mr. Lee asked if there was any litigation with San Francisco. Mr. Monaco replied that he was not aware of any litigation. He suspected that there may not be much of an incentive to challenge the action yet given the amounts involved are small relative to the overall fund.

Mr. Malinowski continued with New York State Common who divested from thermal coal companies and committed to review other fossil fuel companies within the next four years. New York State's Comptroller has rejected calls to divest broadly from fossil fuel companies. Three of New York City's five retirement systems announced in January 2021 that they intend to materially divest from fossil fuel companies. The scope of the divestment and the names of divested companies are to be announced after the divestment is complete, which is expected to be in the next two years.

Jill Johnson stated that Pittsburgh has a small pension plan. She found a press release that states their intention to divest from fossil fuel companies, but there is no other information available.

CM Mosqueda re-iterated that this is an exploratory conversation and does not indicate an immediate desire to change SCERS's portfolio.

Mr. Davis stated that the next quarterly ESG update will be presented at the March 11, 2021 Board meeting. He asked Board members to contact him directly if there are any additional follow-up questions.

2020 SCERS Progress Report

This presentation has been deferred to the March 11, 2021 Board of Administration meeting.

Investment Committee Report – January 28, 2021

Mr. Malinowski reported on the January 28, 2021 Investment Committee meeting. NEPC presented the Investment Outlook and Capital Market Assumptions. Market performance in 2020 was strong, but the expectation going forward is for a lower return environment. Staff presented the annual investment review and planning session for 2021.

Administrative Committee Report – January 28, 2021

Mr. Davis reported on the January 28, 2021 Administrative Committee meeting. The committee discussed the Board self-evaluation process and the Executive Director evaluation timeline.

The committee also reviewed proposed changes to the Investment Advisory Committee (IAC) Charter. The changes were due to concerns about succession planning and taking a more active approach to identify potential new committee members.

Motion: Upon motion by Robert Harvey, Jr., seconded by Bobby Humes, the Board of Administration accepted the Administrative Committee's recommendation to approve the revised Investment Advisory Committee Charter as presented. The motion passed unanimously (6-0).

Executive Director Update

Mr. Davis announced the SCERS will be having a trustee election for an active member seat currently held by Sherri Crawford. The application period will be April 8 through April 22, 2021.

Adjourn Meeting

Motion: Upon motion by Bobby Humes, seconded by Glen Lee, the Board of Administration voted to adjourn the meeting at 11:57 a.m. The motion passed unanimously (6-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, March 11, 2021

Due to the "Healthy Washington, Roadmap to Recovery" order issued by Governor Inslee, the meeting was held remotely.

Board Members Present: Teresa Mosqueda (Chair), Lou Walter, Robert Harvey, Jr., Sherri Crawford, Judith Blinder, Bobby Humes, Glen Lee

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, Jill Johnson, Cecelia Chen, George Emerson, Mark Schimizza

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Tom Mikesell (LEG)

Call to Order

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

Public Comment

There was no public comment.

Administrative Consent Agenda

The following items represent normal expenses:	
Pension Payroll	\$19,369,427.86
Office Payroll	331,529.00*
Admin & Investment Expenses	680,804.35
Total Expenses – February 2021	\$20,381,761.21

**includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – February 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	32	\$84,796.37	\$1,201,039.88
Withdrawals	5	n/a	\$272,391.50

Motion: Upon motion by Lou Walter, seconded by Bobby Humes, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (7-0).

2020 SCERS Progress Report

Jeff Davis, Paige Alderete, and Jason Malinowski presented the 2020 SCERS Progress Report. The 2020 goals were based on the 5-year Strategic Plan goals which were adopted in 2019.

There was discussion on the progress made toward each goal which included the 30-year return exceeding the current actuarial rate of return; the increase of the funding ratio from 71% to 76% on a mark-to-market basis; continued progress towards the positive action strategy regarding Environmental, Social, and Governance (ESG) matters; the development of an enhanced operational due diligence process; streamlining operations and strengthening controls; implemented the new Member Self-Service portal; and providing training opportunities for both staff and the Board.

Due to the pandemic, staff began working remotely on March 16, 2020. SCERS focused on supporting and providing resources to staff to help navigate the stress and fear of the pandemic.

Trustee Elections

Due to the pandemic, the Board needs to temporarily amend the Election Policy since it currently allows potential candidates to apply in person.

Motion: Upon motion by Bobby Humes, seconded by Robert Harvey, Jr., the Board of Administration modified the Election Policy to temporarily suspend in-person applications for the 2021 Active Member Trustee Elections. Candidates may apply by email or by mail. The motion passed unanimously (7-0).

ESG Quarterly Update

Jason Malinowski and Jill Johnson presented the ESG Quarterly Update for first quarter 2021 and provided a brief overview of the positive action strategy which includes shareholder advocacy, sustainability investments, and integrating climate risk into the investment process.

Ms. Johnson provided an update on shareholder advocacy activities. SCERS joined the Coalition United for a Responsible Exxon (CURE) in a letter to the Exxon Board of Directors that raised urgent concerns with the company's strategy and demanded change. Exxon has since announced emission reduction plans and made changes to the Board that suggest the company may be beginning to change. SCERS has also advocated for increased climate risk disclosure in joint letters to the Securities and Exchange Commission (SEC) over the past several years. In a significant departure from the prior Administration, the SEC created a Climate and ESG Task Force in the Division of Enforcement to address disclosure issues.

Mr. Malinowski provided an update on sustainability investments and integrating climate risk into the investment process. Two SCERS-invested managers, Global Infrastructure Partners and Brookfield, made considerable investments in renewable power during the quarter. Staff has also spent time understanding how SCERS's managers are integrating and evaluating climate risk, which included meetings with Heitman and Dimensional during the quarter.

There was discussion around labor groups that occasionally reach out to SCERS to express concerns with SCERS-invested real estate managers. CM Mosqueda requested that future requests from labor groups, as well as SCERS's response, be shared with the Board.

Mr. Davis recapped the information on the topic of divestment that the Board had heard over the last two Board Meetings and the discussion that occurred:

- In January, Mayor Durkan sent a letter to the Board asking the Board to “develop the processes necessary to formally adopt the goal of divesting in fossil fuels and ensuring SCERS investments are net carbon zero by 2040.” Councilmember (CM) Mosqueda sent a letter in support of the Mayor's request. Mr. Davis sent a response to the Mayor noting the topic would be discussed during upcoming Board meetings and we would have a fuller response after our March Board meeting.
- At the January 2021 Board meeting, there was a focused discussion on SCERS's policy on divestment. Mr. Malinowski spoke to the financial analysis, stating divestment reduces diversification thereby increasing portfolio risk and that divestment directly contradicts SCERS's investment beliefs and strategy. Mike Monaco, of MMPL, spoke to the fiduciary duties of Loyalty and Prudence under Washington state law. And Joseph Boateng, Chair of the Investment Advisory Committee, spoke to divestment as an ineffective way of changing corporate behavior.
- At the February Board meeting, CM Mosqueda invited FFI Solutions to present perspective on divestment. They described multiple approaches that investors are taking to manage climate risk including: shareholder engagement, exclusionary screening/divestment, ESG integration, manager screening, and changing benchmarks. Also, at the February meeting, Mr. Malinowski gave a presentation on what other peer pension systems are doing on divestment. While the vast majority of public pension plans have not divested from fossil fuels there are five plans that have taken some action for a variety of reasons.
- Mr. Davis proposed after today's meeting sending a response to the Mayor that SCERS has considered the request and respectfully declines to divest from fossil fuel investments, in accordance with SCERS' policy. None of the fundamental investment and legal concepts supporting this policy have changed since it was adopted in 2019. Mr. Davis will mention the information the Board has heard over the last couple Board meetings and will cite SCERS's ESG policy and the financial and legal analysis that support SCERS policy on divestment. Climate change is clearly important to SCERS as an organization, and it is the focus of SCERS's ESG efforts. SCERS's Positive Action Strategy is an approach that both recognizes climate change as an important risk to our portfolio and outlines actions we can take that are consistent with our fiduciary responsibilities. Through this strategy SCERS has had an impact beyond what should be expected for a system of its size. Staff will continue to report to the Board each quarter about its efforts on this strategy and any relevant happenings on ESG issues.

CM Mosqueda suggested that the letter be put on pause until her office has had time to hear directly from SCERS's peers and follow up with them.

Mr. Davis expressed concern that this could be misleading. Regardless of what other systems do, the reasons supporting SCERS's stance on divestment are fundamental and would not change based on other systems' actions. No process is on the table to consider changing SCERS' divestment policy.

Mr. Davis and CM Mosqueda will work to craft language in the SCERS response to the Mayor. If an agreement cannot be reached, Mr. Davis will send a response to the Mayor. The SCERS Executive Director has the authority through the Board to communicate back to the Mayor.

Going forward, SCERS will continue presenting quarterly ESG updates to the board, which includes looking at what other systems are doing. If other systems want to reach out, staff would be happy to coordinate with CM Mosqueda.

Investment Committee Report – February 25, 2021

Mr. Malinowski reported on the February 25, 2021 Investment Committee meeting. The Investment Committee was joined by members of the Investment Advisory Committee (IAC) who presented the 2020 IAC Annual Report.

NEPC also attended to present the plan's year-end performance report. The plan returned 12.6% for 2020.

Executive Director Update

Mr. Davis had nothing to report.

Adjourn Meeting

Motion: Upon motion by Lou Walter, seconded by Bobby Humes, the Board of Administration voted to adjourn the meeting at 11:34 a.m. The motion passed unanimously (7-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, April 8, 2021

Due to the "Healthy Washington, Roadmap to Recovery" order issued by Governor Inslee, the meeting was held remotely.

Board Members Present: Teresa Mosqueda (Chair), Robert Harvey, Jr., Judith Blinder, Sherri Crawford, Glen Lee

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, Jill Johnson, George Emerson, Mark Schimizza, Selam Teklemariam

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Tim Morrison (FAS), Tim Allen (Tacoma ERS)

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 March 11, 2021 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$20,043,430
Office Payroll	\$322,167*
Admin & Investment Expenses	\$1,707,394
Total Expenses – March 2021	\$22,072,992

**includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – March 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	32	\$84,796.37	\$1,201,039.88
Withdrawals	15	n/a	\$373,281.25

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

Investment Committee Report – March 25, 2021

Jason Malinowski reported on the March 25, 2021 Investment Committee meeting. There were two items on the agenda: Deep Dive of the Public Equity asset class and a Public Equity manager recommendation.

Staff and NEPC recommended an up to \$60 million investment to seed the ABS Japan Strategic Portfolio, a multi-manager strategy that will invest in Japanese specialist equity managers. This represents approximately half of the total allocation to Japan public equity. This investment would be SCERS's second investment with ABS Investment Management.

The Investment Committee approved the recommendation.

Motion: Upon motion by Judith Blinder, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to invest up to \$60 million in the ABS Japan Strategic Portfolio, pending satisfactory legal review. The motion passed unanimously (5-0).

Administrative Committee Report – March 25, 2021

Jeff Davis reported on the March 25, 2021 Administrative Committee meeting. There were two items on the agenda: Board Self-Evaluation and Executive Director 2020 Evaluation.

The committee discussed the timeline and scope of the board self-evaluation which will be sent out soon to all board members.

Mr. Davis discussed SCERS's accomplishments for 2020 and looking forward to 2021. Staff seamlessly transitioned to working remotely and despite the upheaval of the transition, staff were able to go live with the new member self-service portal and investment returns were in the top third of public pension systems in the 1, 3, 5, 7, and 10-year intervals. Later this year staff will be preparing for the transition to return on-site. A long-term goal is to present members with a more comprehensive view of their own financial picture. SCERS will also be reviewing its pay structure within SCERS to ensure that staff were being compensated appropriately as compared to their peers.

Executive Director Update

Mr. Davis gave an update on the 2021 Active Member Trustee election. The candidacy period opened today and will close on April 22, 2021. Potential candidates may submit materials via email or postal mail.

Mr. Malinowski gave an update on investment team staffing that was finalized after the March Board meeting. Cecelia Chen, Senior Investment Officer, has accepted a senior role with an investment consulting firm and will be relocating to Miami, Florida. This is a wonderful opportunity for Ms. Chen, and we wish her the best.

Councilmember Mosqueda stated that her staff will continue to gather information on what City peers are doing in terms of divestment.

Mr. Davis replied that the conversations on ESG, climate change, and divestment have been productive and informative. Going forward, conversations will be broader and have less of a focus on divestment and rather how do we look at climate change and the impact it can have on SCERS's portfolio.

Adjourn Meeting

CM Mosqueda adjourned the meeting at 10:28 a.m.



Seattle City Employees' Retirement System

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

Minutes, Thursday, May 13, 2021

Due to the "Healthy Washington, Roadmap to Recovery" order issued by Governor Inslee, the meeting was held remotely.

Board Members Present: Teresa Mosqueda (Chair), Robert Harvey, Jr., Judith Blinder, Sherri Crawford, Bobby Humes, Glen Lee

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, George Emerson, Selam Teklemariam,

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), John Masterjohn (ARSCE), Tim Morrison (FAS), Tom Mikesell (LEG)

Call to Order

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

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the April 8, 2021 Retirement board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$20,576,396.19
Office Payroll	\$367,468.63*
Admin & Investment Expenses	\$524,867.47
Total Expenses – April 2021	\$21,468,732.29

*includes estimated benefit costs

Retirements, Withdrawals, Other Payouts – April 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	33	\$130,341.04	\$1,065,008.36
Withdrawals	15	n/a	\$318,453.51

Motion: Upon motion by Bobby Humes, seconded by Robert Harvey, Jr., the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

Council of Institutional Investors Presentation

Amy Borrus, Executive Director of the Council of Institutional Investors (CII), provided an overview of CII and answered questions from the Board. SCERS has been an active member of CII since 2011. Jill Johnson, who recently retired as a Senior Investment Officer with SCERS, was on CII’s U.S. asset owners advisory council.

CII is a leading voice for good corporate governance, strong shareholder rights, and sensible financial rules that foster fair, vibrant capital markets. They provide education, advocacy, and networking for their members.

CII focuses on governance because effective governance standards and practices is the linchpin to ensure corporate boards pay appropriate attention to environmental and social factors. Boards that are accountable to their shareholders are more likely to monitor and mitigate climate change risk to their business and invest in their workforce. CII’s priority issues for 2021 are investor rights & protections, corporate disclosure and market systems and structure.

ESG Quarterly Update

Jason Malinowski presented the ESG Quarterly update for second quarter 2021 and provided a brief overview of the positive action strategy which includes shareholder advocacy, sustainability investments, and integrating climate risk into the investment process.

There is a pivotal shareholder meeting at Exxon that will take place at the end of May. SCERS is a member of the Coalition United for a Responsible Exxon (CURE). CURE made key recommendations that Exxon should take to improve its financial performance. The key recommendations were to strengthen governance which includes splitting the Chair and CEO role as well as replace four of the members of the Exxon board. These are very exciting initiatives. As it relates to shareholder advocacy, SCERS also joined other institutional investors in a letter to Congress to overturn a Securities and Exchange Committee (SEC) rule that makes it more difficult for investors to submit shareholder resolutions.

BlackRock, a SCERS-invested manager, published a paper introducing their development of climate-aware capital market assumptions. The development of climate-aware capital market assumptions can complement NEPC’s climate scenario analysis methodology that was incorporated in SCERS’s 2019 asset-liability study.

Mr. Malinowski is scheduled to participate on a panel at the Pensions & Investments’ ESG Investing virtual Series on May 17, 2021. The panel entitled “Investing for Climate” will focus on engagement and collaboration opportunities related to climate change and tools and data that can be used to evaluate climate risks.

Investment Committee Report – April 29, 2021

Mr. Malinowski reported on the April 29, 2021 Investment Committee meeting. There were three items on the agenda: Deep Dive of the Real Estate asset class, a Real Estate manager recommitment recommendation, and a presentation on SCERS's manager research process as previously requested by CM Mosqueda.

Staff and NEPC recommended a recommitment up to \$25 million to Brookfield Strategic Real Estate Fund IV (BSREP IV), a global and sector diversified real estate strategy. BSRP IV would be SCERS's third fund investment in Brookfield's real estate strategy.

The Investment Committee approved the recommendation.

Motion: Upon motion by Sherry Crawford, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to commit up to \$25 million to Brookfield Strategic Real Estate Fund IV, pending satisfactory legal review. The motion passed unanimously (6-0).

Administrative Committee Report – April 29, 2021

Jeff Davis reported on the April 29, 2021 Administrative Committee meeting. There were five items on the agenda: Investment Consultant Evaluation process, Investment Advisory Committee (IAC) appointment, Board Self-Evaluation, request from Association of Retired Seattle City Employees (ARSCE), and staff compensation.

NEPC made a recommendation in January that they would value receiving feedback on their performance as SCERS's investment consultant. SCERS will create a survey that members of the Investment Committee, IAC, and staff would complete this fall. The survey would be completed annually going forward.

Keith Traverse is the head of asset allocation and risk management at BMGI, which is the investment manager for the Bill & Melinda Gates Foundation Trust. Mr. Traverse was re-appointed to a three-year term on the IAC. He was also appointed as Vice Chair of the IAC upon the recommendation of Joseph Boateng, current chair of the IAC.

Robert Harvey, Jr., reviewed the Board's response to their self-evaluation. Specifically, he reviewed the areas which received the lowest scores from Board members. Further discussion will be presented at the May Board of Administration meeting.

ARSCE requested that members be allowed access to the video link of the Board of Administration meetings and that meetings be recorded for future access. Members of the public will be granted video access to board meetings beginning with the June 2021 meeting. The meetings will not be recorded since minutes are provided and posted on the SCERS's website. Additionally, SCERS has also added minutes from the Investment Committee and Administrative Committee on the website.

One of SCERS's goals is to ensure staff are well-trained, well supported, and well compensated. A request was made to do a market survey on the leadership and investment team since the last study was conducted in 2013. Members of the Administrative Committee expressed support.

Motion: Upon motion by Bobby Humes, seconded by Glen Lee, the Board of Administration accepted the Administrative Committee's recommendation to reappoint Keith Traverse to the Investment Advisory Committee with a three-year term commencing May 13, 2021. The motion passed unanimously (6-0).

Motion: Upon motion by Bobby Humes, seconded by Robert Harvey, Jr., the Board of Administration accepted the Administrative Committee's recommendation to appoint Keith Traverse as Vice Chair of the Investment Advisory Committee with a three-year term commencing May 13, 2021. The motion passed unanimously (6-0).

Board Self-Evaluation

Mr. Harvey reviewed the 2020 summary of the full board self-evaluation. There was discussion on the lowest rated items, although it was noted that these items scored a 4 out of 5 and would be an opportunity for improvement rather than a negative score.

Areas that could be improved include:

- Each board meeting includes an opportunity for learning about the organization's activities.
- Board meeting presentations and discussions consistently reference the organization's mission statement.
- The Board evaluates the organization's performance on a regular basis by comparing the stated mission to actual operational achievements.
- The Board is actively engaged in the board development process.

Staff stated that there are operational deep dives scheduled for future board meetings. The mission statement will be added to the board packet for reference as it relates to each presentation. The board packets will also be emailed to the Board one day earlier. Mr. Harvey noted that board trainings and presentations by staff and others are part of the board development process.

Ms. Blinder stated that SCERS does an excellent job on onboarding, educational opportunities and presentations. She is wondering about the Board working together as a team in their decision making so there is more discussion before decisions are made.

There was discussion on a board retreat so board members could get to know each other and focus on a baseline of knowledge about board operations and emerging topics. The Board will consider scheduling a half day retreat when they are back to in person meetings.

Executive Director Update

Mr. Davis reported on the 2021 Trustee Elections for an Active Member seat and on agenda items for future meetings.

There are two candidates for the position:

- Sherri Crawford
- Amy Woo

Elections begin on May 13, 2021 and end on June 7, 2021. The winner of the election will be announced at the June 10, 2021 board meeting.

The Board and staff have been talking a lot about climate change and how it impacts investments. CM Mosqueda has been speaking to other public pension systems and wants an opportunity for them to present to SCERS. There has been some support from other board members on having these presentations. At the June meeting, the Deputy Chief of Sustainability from the mayor's office in Los Angeles will present to the board. New York City will make a presentation at the July board meeting.

At the August board meeting, a check in will be conducted with the board to find out if these presentations have been helpful. CM Mosqueda thanked staff for ongoing discussions on this topic.

Executive Session for Personnel Matter

Executive Session for a Personnel Matter is expected to last 15 minutes and began at 11:39 a.m.

The Board reconvened in regular session at 11:48 a.m.

As a board, they are very happy with SCERS's and the Executive Director's performance for 2020. There are no issues to bring forward and they look forward to continuing working with everyone.

Adjourn Meeting

Motion: Upon motion by Bobby Humes, seconded by Robert Harvey, Jr., the Board of Administration voted to adjourn the meeting at 11:52 a.m. The motion passed unanimously (6-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, June 10, 2021

Due to the "Healthy Washington, Roadmap to Recovery" order issued by Governor Inslee, the meeting was held remotely.

Board Members Present: Robert Harvey, Jr., (Chair), Lou Walter, Judith Blinder, Sherri Crawford, Glen Lee, Bobby Humes

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, George Emerson, Mengfei Cao, Claire Foster, Ronda Iriarte, Mark Schimizza, Selam Teklemariam

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Tim Morrison (FAS) Tom Mikesell (LEG), John Masterjohn (ARSCE), Francis Albanese

Call to Order

Robert Harvey, Jr., Chair, called the meeting to order at 10:01 am.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the May 13, 2021 Retirement board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$20,156,637.39
Office Payroll	340,092.00*
Admin & Investment Expenses	2,100,697.73
Total Expenses – May 2021	\$22,597,427.12

**Includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – May 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	37	\$138,881.57	\$308,941.22
Withdrawals	17	n/a	\$209,018.88

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 (4-0).

Deep Dive – SCERS’s Teams Overview

Paige Alderete, Ronda Iriarte, Claire Foster, Mark Schimizza, and Jason Malinowski presented an overview on the various teams in SCERS. This included: organizational overview, introduction of each SCERS team, team alignment with SCERS’s adopted goals, and initiative alignment with SCERS’s adopted goals.

SCERS consists of the following teams:

- Accounting
- Information Technology (IT)
- Investments
- Member Services

With the addition of business analysts and administrative/executive staff, SCERS has 28 total staff members.

(10:21 a.m. - Lou Walter signed on to the meeting.)

Mr. Harvey commented that SCERS is an efficient operation since staff serve 18,000 customers and manage \$3.7 billion in assets with only 28 employees.

Board Training - Fiduciary Responsibility/Personal Liability and Open Public Meetings Act/City Ethics

Mike Monaco of MMPL presented on Fiduciary Responsibility and Personal Liability and Gary Smith of the City Attorney’s Office presented on the Open Public Meetings Act (OPMA)/City’s Ethics Code.

SCERS assets are held in trust and the trustees are subject to fiduciary responsibility.

The two main responsibilities of a fiduciary are the duty of prudence and the duty of loyalty. The duty of prudence follows the “prudent investor” rule where investments are not looked at in isolation, but as a group. Investments work as an overall system to reduce risk. It is more about process rather than results to protect the interest of the system. The duty of loyalty requires a fiduciary to act “with an eye single to the interest of the participants and beneficiaries” and to not look at any extraneous interests.

Regarding economic, social, and governance (ESG) in investing, SCERS can only consider ESG investment actions that do not adversely affect SCERS’s expected risk-adjusted return as compared to other investments in the same category. This is in accordance with guidelines under ERISA and the law followed by private and public pension plans throughout the country.

(10:50 am – Bobby Humes signed on to the meeting.)

SCERS hires managers to make investments on its behalf. The Board and staff have not been in the purview of selecting individual assets or de-selecting individual assets. It is a very high bar and truly dangerous to move away from the market consensus and all the academic theory and practice over many decades. The US Supreme Court has endorsed the efficient market theory and belief.

Gary Smith presented on the OPMA and briefly covered the City's Ethics Code. Mr. Monaco and his team at MMPL give advice to SCERS for the management of the fund. The City Attorney's Office gives advice on municipal information.

City officials, employees, and city volunteers are covered by the City's Ethics Code. The code prohibits participation on any matter in which there is a conflict of interest.

OPMA applies to the retirement board and can also apply to any committee of SCERS. All meetings of covered bodies must be open to the public, gavel to gavel. A meeting occurs when there is a quorum and can also occur by phone or email.

Public comment is not required by OPMA but is typical of boards. The board can impose reasonable rules of conduct. If public comment is allowed, it is protected under the first amendment.

The current remote meetings are specifically authorized by the governor due to the public health emergency. Requirements for in-person attendance will be reimposed but that does not mean physical attendance of board members. SCERS will be in compliance with the OPMA as long as there is a physical meeting place where the public can attend.

There is no requirement to record meetings, but minutes are required for open session.

Investment Committee Report – May 27, 2021

Jason Malinowski reported on the May 27, 2021 Investment Committee meeting. Agenda items included introduction of the investment team's two new members; Q1 2021 Quarterly Performance Review; a review of the Investment Risk framework; and a deep dive on the Core Fixed Income asset class.

Executive Director Update

Jeff Davis gave an update on the 2021 Trustee Elections for an active member seat. Twenty-four percent of eligible members voted with 72% of the votes going to Sherri Crawford.

Motion: Upon motion by Bobby Humes, seconded by Glen Lee, the Board of Administration ratified the certification of election results as provided by Election Services Co. for the 2021 Board of Administration election for the active member seat; electing Sherri Crawford to the Board of Administration for a three-year term (July 1, 2021-June 30, 2024). The motion passed 5-0-1 with Sherri Crawford abstaining.

Executive Session – Actual or Pending Litigation/Quasi-judicial matter

The Board entered Executive Session at 11:31 a.m. for approximately 20 minutes to discuss actual or pending litigation/quasi-judicial matter. Executive Session ended at 11:49 a.m. and the Board entered into public session.

Motion: Upon motion by Glen Lee, seconded by Bobby Humes, the Board of Administration approved the application of Member No. 34752 for a withdrawal of contributions due to terminal illness, subject to concurrence by the Board's regular medical panel with the

member's qualifications for the benefit based on a review of the member's medical records and consultation with the member's treating physician. 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 11:53 a.m. The motion passed unanimously (5-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, July 8, 2021

The Board of Administration meeting was held virtually.

Board Members Present: Teresa Mosqueda (Chair), Robert Harvey, Jr., Sherri Crawford, Judith Blinder, Glen Lee, Bobby Humes

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, George Emerson, Mengfei Cao, Ronda Iriarte, Mark Schimizza, Selam Teklemariam, Michiko Togashi

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Brittany Smith (CLA), Thomas Rey (CLA), Nick Collier (Milliman), Julie Smith (Milliman), Tasfia Nayem (NYC Mayor's Office), John Adler (NYC Mayor's Office), Jeannette Voiland (ARSCE)

Call to Order

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

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the June 10, 2021 Retirement board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$19,853,447.84
Office Payroll	321,771.50*
Admin & Investment Expenses	1,395,231.29
Total Expenses – June 2021	\$21,570,450.63

*includes estimated benefit costs

Retirements, Withdrawals, Other Payouts – June 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	20	\$53,049.92	\$1,189,984.41
Withdrawals	23	n/a	\$897,794.53

Motion: Upon motion by Robert Harvey, Jr., seconded by Bobby Humes, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed 4-0-1 with Teresa Mosqueda abstaining.

Final Audit Report – Staff and CliftonLarsonAllen

Paige Alderete acknowledged and thanked CliftonLarsonAllen (CLA), Milliman, and SCERS’s staff for their efficiency and adaptability.

Brittany Smith and Thomas Rey of CliftonLarsonAllen (CLA) presented SCERS’s Final Audit Report for the year ended December 31, 2020.

It was a good year for SCERS in terms of investments with a 15.6% increase from \$3.1 billion to \$3.6 billion. The funding status increased from 68.9% to 71.6%.

There was a significant deficiency for the adjustment of lagged investment valuations. CLA found a material adjustment to the financial statements which was identified during their audit to update the lagged alternative investment valuations to Dec 31, 2020 valuations. Due to the nature of the asset class, it is normal for the alternative investments to issue the Quarter 4 numbers in May of the following year and these amounts from the lagged investment managers have historically been immaterial. Due to the high return from these alternative investments in 2020, this amount passed the materiality threshold.

Mr. Rey stated to the Board that this is normal situation for this type of asset, and he would not be alarmed if he was a Board member. He recommended SCERS work with alternative investment managers to try and obtain earlier estimates and consistent treatment of this adjustment of the investment valuations for all alternative investment funds.

Mr. Lee stated that the auditor’s finding is a concern and that SCERS must take steps to ensure that there will not be similar findings in future audits. He also noted that Citywide, SCERS had the only significant deficiency. The delay in reporting can impact the City’s debt issuance process.

There was discussion on how to avoid this situation in future audits. Staff is going to explore with alternative investment managers to get estimates slightly earlier to align better with the City’s CAFR schedule. The City must get the CAFR out in June which is a difficult timeline for SCERS staff to meet if the lagged alternative investment information cannot be obtained until mid-May. Part of the process will also include coming up with SCERS consistent application on what is considered material.

Motion: Upon motion by Judith Blinder, seconded by Glen Lee, the Board of Administration accepted the 2020 Year-End Audited Financial Statements as presented by Seattle City Employees’ Retirement System Staff and CliftonLarsonAllen, LLP. The motion passed unanimously (5-0).

Valuation Study and 2022 Actuarial Contribution Rate (ARC) - Milliman

Nick Collier and Julie Smith of Milliman presented SCERS's Valuation Study as of January 1, 2021.

The actuarial value of assets increased from \$3.04 billion in 2020 to \$3.35 billion in 2021. The funding ratio increased from 68.9% in 2020 to 71.6% in 2021. The actuarially required contribution rate has decreased from 25.56% as of January 1, 2020 to 24.68% in the January 1, 2021 valuation. The City's required contribution correspondingly has decreased from 16.10% to 15.33%.

The accounting funding ratio is 78.8%. The market value of assets as of January 1, 2021 increased to \$3.64 billion from \$3.15 billion as of January 1, 2020.

The Valuation incorporated the following adjustments:

- Average annual salary in 2021 is \$94,562 (up from \$86,833 in 2020)
- Active membership decreased by 1.6%
- Average monthly benefit increased to \$2,605 (from \$2,540 in 2020)

However, the current adopted assumptions remained the same. These assumptions will be re-visited in 2022 during SCERS's Experience Study.

- 7.25% investment return
- 2.75% price inflation
- 3.5% general wage increases
- 0.50% membership growth

Deaths across the country were up 15% during the last year, but not true for SCERS's retirees. There was a slight decrease in SCERS's deaths. This was offset by fewer than expected retirees. As a comparison, Los Angeles County had a 15-20% increase in deaths during the same time period.

Milliman is recommending that the Board consider maintaining the current contribution rate of 16.1% or a smaller rate of 16%. Potential benefits include:

- Accelerated funding
- Reduced likelihood of future increases
- Improved contribution rate stability
- Eliminates short-term negative amortization.

Mr. Lee added the clarification that the contribution rate is set by the City Council as a part of the City's budget process and the SCERS motion is for a recommended contribution rate. Board members requested to discuss the Actuarial Contribution Rate (ARC) at the next Board meeting.

Motion: Upon motion by Glen Lee, seconded by Robert Harvey, Jr., the Board of Administration accepted the January 1, 2021 Actuarial Valuation Report as presented by Milliman. The motion passed unanimously (5-0).

Discussion – New York City Pension Plans – NYC Mayor's Office

CM Mosqueda invited representatives from the NYC Mayor's office for discussion of their pension plans and how they go beyond their ESG principles in place.

The Board was joined by representatives from the New York City Mayor's Office. Tasfia Nayem is Senior Climate Policy Advisor and John Adler is the Chief Pension Investment Advisor for the Mayor and the mayor's designated trustee on the Board for the pension funds. New York City has five separate pension funds for assets totaling \$250 billion. Each fund has its own board.

In 2018, NYC announced a plan to divest from fossil fuel reserve owners within five years. They did not decide to divest from the entire fossil fuel chain. Their focus was on fossil fuel reserve owners. The estimated exposure was \$5 billion across the five plans. The police and fire pension plans decided not to pursue divestment. The

other three plans hired consultants. The plans received recommendations from the consultants at the end of 2020.

Each board then approved their own approach to divest from fossil fuel reserve owners and chose to divest from publicly traded securities, not private equity, for a value of about \$4 billion. They believe the divestment will be completed by the end of next year.

Mr. Adler works for NYC Mayor Bill DeBlasio who announced proposal to get to \$50B in green investments by 2035. The mayor also announced that he wants the pension funds to be carbon net zero by 2040.

New York City has been involved in shareholder engagement going back decades. In the last ten years, they have increasingly focused on climate issues and pushing board rooms to address climate change in their business plans and not just energy companies. They do not see divestment as the only tool in the toolbox, it is just one.

They needed to act in the interest of beneficiaries, not just because elected officials think it is the right thing to do. Being a fiduciary must be the driver.

Unlike SCERS, NYC is not invested in co-mingled funds so their managers can divest certain funds more easily because they are in separate accounts. They only incur transaction costs. In SCERS's case, because of the co-mingled funds, being selective is trickier.

Authorized Parties Signature Form

The form is required by BNYM to move cash.

Motion: Upon motion by Bobby Humes, seconded by Robert Harvey, Jr., the Board of Administration approved the Authorized Parties Signature Form effective July 8, 2021. The motion passed unanimously (5-0).

Investment Committee Report – June 24, 2021

George Emerson reported on the June 24, 2021 Investment Committee meeting. Agenda items include a deep dive on the infrastructure asset class and an Infrastructure manager selection.

Staff and NEPC recommended a \$20 million commitment to Tiger Infrastructure Partners Fund III (Tiger III), a North American and European sector diversified infrastructure strategy. This recommendation is consistent with the Board's adopted strategic asset allocation. The Investment Committee approved the recommendation.

Motion: Upon motion by Robert Harvey, Jr., seconded by Glen Lee, the Board of Administration accepted the Investment Committee's recommendation to commit up to \$20 million to Tiger Infrastructure Partners Fund III, pending satisfactory legal review. The motion passed unanimously (5-0).

Executive Director Update

Mr. Davis reviewed SCERS's response to the City Council's request for a statement of legislative intent which is part of the budget process for the council. The council requested the sources and uses of retirement funds over the past 10 years; performance of the SCERS II plan; and options to merge all or a portion of SCERS with the Washington State Public Employees' Retirement System. The response to the request was also forwarded to the SCERS Board.

At the June Board meeting, the board approved a member's terminal illness withdrawal based on a review of the member's medical records and consultation with the member's treating physician. Unfortunately, the member passed away before the review could be completed. The member's beneficiaries will receive an ongoing monthly benefit.

John Masterjohn will be stepping down as president of the Association of Retired Seattle City Employees (ARSCE) and will be replaced by Mike Nagan. The Board thanked Mr. Masterjohn for his service and welcomed Mr. Nagan.

Adjourn Meeting

Motion: Upon motion by Bobby Humes, seconded by Robert Harvey, Jr., the Board of Administration voted to adjourn the meeting at 12:14 p.m. The motion passed unanimously (5-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, August 12, 2021

The Board of Administration meeting was held virtually.

Board Members Present: Robert Harvey, Jr. (Chair), Judith Blinder, Sherri Crawford, Glen Lee, Kimberly Loving

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

Others Present: Gavin Parr (MMPL), Gary Smith (City Attorney's Office), Nick Collier (Milliman), Julie Smith (Milliman), Mike Nagan (ARSCE), John Masterjohn (ARSCE), Tom Mikesell, Tim Morrison

Call to Order

Robert Harvey, Jr., called meeting to order at 10:01 am.

Jeff Davis introduced Kimberly Loving as a new trustee. Ms. Loving replaces Bobby Humes. She will abstain from voting at today's meeting since it is her first meeting.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the July 8, 2021 Retirement board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$20,409,144.77
Office Payroll	349,842.46*
Admin & Investment Expenses	548,843.61
Total Expenses – July 2021	\$21,307,830.84

*includes estimated benefit costs

Retirements, Withdrawals, Other Payouts – July 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	29	\$91,842.80	\$1,688,845.30
Withdrawals	12	n/a	\$582,692.47

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed 4-0-1 with Kimberly Loving abstaining.

2022 Actuarial Contribution Rate (ARC) - Milliman

At the July 8, 2021 Board of Administration meeting, the board requested to discuss the Actuarial Contribution Rate recommendation at the August Board meeting.

Nick Collier and Julie Smith of Milliman presented information about the 2022 Actuarial Contribution Rate. Milliman determined the 2022 Actuarially Required Contribution (ARC) to be 15.33%. Milliman suggested that the board consider recommending that the current 16.10% employer contribution rate be adopted by the City Council for the 2022 year. If the City were to continue contributing at least 16.10%, the fund would be 100% funded by 2035 rather than 2042.

Pros of maintaining the higher rate include:

- Accelerated funding
- Reduced likelihood of future increases
- Improved contribution rate stability
- Elimination of short-term “negative amortization”

Cons of maintaining the higher rate include:

- Higher employer contribution rate in the short term
- Asset gains currently being deferred could help offset future increases

Mr. Harvey reminded the Board that their primary concern is the retirement system and that any decision made should be in the best interest of the system.

There was discussion on the impact of the funding ratio when the fund is 100% funded. At that time, there would be no remaining unfunded liability and contributions would just be made to cover normal costs to maintain the plan. The employee rate would not change since it is fixed in the statute.

There was discussion on maintaining the current contribution rate of 16.1%. Although members of the board understand that there are concerns with the City’s general fund and finding funding resources for infrastructure, poverty, crime, etc., some expressed that it should not come out of the City’s retirement system. There has been a decrease in active members, an increase in pay and a decrease in return expectations. The benefits paid out are increasing and retirees are living longer. All these scenarios would increase the fund’s liabilities.

Mr. Lee led a discussion on why voting for exceeding the ARC is not desirable. He indicated that the City has done a great job by funding the Milliman recommended ARC.

Mr. Davis stated that for SCERS, the 15.33% ARC is acceptable, although the 16.1% rate is more of an advantage for the City. The Experience Study is in 2022 and the contribution rate will likely increase because of a lower return assumption. Currently, the City is accustomed to paying the 16.1% ARC. If it is reduced to 15.33%, it will go up after the Experience Study is completed. Changing it back and forth would create budgeting

problems for departments and problems for the City. SCERS does not want to make the decision to funding the retirement system harder for City Council. Although, setting the ARC at 15.33% is also acceptable.

Motion: The January 1, 2021 Actuarial Valuation Report as presented by Milliman determined the 2022 Actuarially Required Contribution (ARC) to be 15.33%. Upon motion by Robert Harvey, Jr., seconded by Sherri Crawford, the Board of Administration recommended the City of Seattle set the rate of 16.1% as the employer contribution for 2022. The motion passed 3-1-1 with Glen Lee voting Nay and Kimberly Loving abstaining.

SCERS 2020 Annual Report

Mark Schimizza presented the 2020 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 \$214 million in 2020 compared to \$203 million in 2019.

By the end of 2020, SCERS was managing over \$3.4 billion in investments, a \$311.8 million increase from 2019. Funding status is steadily increasing. The current funding status is at 71.6%, up from 68.9% in 2019. 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.

The Annual Report will be added to SCERS's website and distributed in PDF format at the monthly new employee orientation. SCERS is currently rolling out access to the Member Self-Service (MSS) Portal which should be fully implemented in the next few months. The Annual Report will be added to each member's MSS home page.

Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration accepted the 2020 Annual Report for Members as presented by Seattle City Employees' Retirement System Staff. The motion passed 4-0-1 with Kimberly Loving abstaining.

Credit Interest

Mr. Davis presented on Credit 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 credit interest rate is 1.77%, down from 2.04%. The Board reviews and adjusts the interest rates annually, based on market conditions.

Motion: Upon motion by Judith Blinder, seconded by Sherri Crawford, the Board of Administration set the 2022 credit interest on all employee contribution into the pension after December 31, 2011 at 1.77%. The motion passed 4-0-1 with Kimberly Loving abstaining.

Investment Committee Report – July 29, 2021

Jason Malinowski reported on the July 29, 2021 Investment Committee meeting.

There were two educational presentations. The first focused on how SCERS integrates climate risk into the investment process. The second presentation focused on the multi-year research project to evaluate globalizing the core real estate allocation.

Administrative Committee Report – July 29, 2021

At the July 29, 2021 Administrative Committee meeting, the committee reviewed the outcome of the board's self-evaluation and discussed future agenda items.

Executive Director Update

The November 2021 Board meeting falls on Veteran's Day holiday. The recommendation is to reschedule the meeting to Wednesday, November 10, 2021.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration approved rescheduling the November 11, 2021 Regular Board of Administration meeting as a special meeting of the Board of Administration to be held on November 10, 2021. The motion passed 4-0-1 with Kimberly Loving abstaining.

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration voted to adjourn the meeting at 11:00 a.m. The motion passed 4-0-1 with Kimberly Loving abstaining.



Seattle City Employees' Retirement System

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

Minutes, Thursday, September 9, 2021

The Board of Administration meeting was held virtually.

Board members present: Teresa Mosqueda (Chair), Robert Harvey, Jr., Judith Blinder, Glen Lee, Kimberly Loving

SCERS staff present: Jeff Davis, Paige Alderete, Jason Malinowski, Leola Ross, George Emerson, Mengfei Cao, Nina Melencio

Others present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Grant Ervin (City of Pittsburgh), Mike Nagan (ARSCE), Melina Thung, Tim Morrison (FAS)

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 August 12, 2021 Retirement board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$20,899,100.78
Office Payroll	330,909.82*
Admin & Investment Expenses	1,171,212.07
Total Expenses – August 2021	\$22,401,222.67

**includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – August 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	38	\$96,286.96	\$1,364,081.48
Withdrawals	15	n/a	\$647,874.04

Motion: Upon motion by Glen Lee, seconded by Robert Harvey, Jr., the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

ESG Quarterly Update

Jason Malinowski and Leola Ross presented the ESG Quarterly update for third quarter 2021 and provided a brief overview of the positive action strategy which includes shareholder advocacy, sustainability investments, and integrating climate risk into the investment process. The Board has identified climate change as an ESG priority for SCERS because of its criticality to the long-term risk and return of the capital markets.

Mr. Malinowski introduced Ms. Ross who joined SCERS in June as Deputy Chief Investment Officer and Head of ESG.

A significant shareholder action took place in May when three dissident board members opposed by Exxon corporate management were elected to the Exxon Board. The shareholder vote reflects deep dissatisfaction with Exxon’s management that should prompt a change in business strategy to be more aligned with a low carbon economy. SCERS has been working with other institutional investors for years to create change at Exxon. SCERS’s involvement includes placing BlackRock on watch in 2016 due to its unwillingness to oppose management; joining Climate Action 100+ investor engagement with Exxon; co-filing an Exxon shareholder resolution led by CalPERS; and joining the Coalition United for Responsible Exxon.

SCERS joined other investors in a letter to the Securities Exchange Commission (SEC) in response to their request for information on climate risk disclosure. SCERS provided feedback to ISS, SCERS’s proxy voting advisor, during its annual policy consultation as well as participated in the inaugural “Climate Survey” that will gather investor feedback that can be reflected in ongoing proxy voting policy development related to climate change.

SCERS committed up to \$20 million to Tiger Infrastructure Partners Fund III. The fund is an investor in Summit Carbon Solutions, a carbon capture and storage business that is building capacity to store 10 million tons of carbon dioxide annually.

Maine became the 1st state to enact a law requiring divestment from fossil fuel companies, including those held by the state’s pension system. The Maine pension system opposed the law.

CalSTRS committed to achieving a net-zero investment portfolio by 2050 or sooner. They are planning how to meet this commitment, which is expected to include influencing policymakers and companies, expanding investments in low-carbon solutions, and assessing the transition risk of the investment portfolio.

Council Member (CM) Mosqueda asked about analytics that could track progress of the positive action strategy. Mr. Malinowski responded that staff would evaluate this request and come back at a later Board meeting.

Discussion – City of Pittsburgh

CM Mosqueda invited Grant Ervin, Chief Resilience Officer for the City of Pittsburgh and Assistant Director for the Department of City Planning, to present his perspective on fossil fuel divestment and to answer questions from the Board.

Pittsburgh began looking at the idea of divestment in 2014, which was initially opposed by the pension board and some labor partners. They took a step back and recalibrated what they were seeking to accomplish and why they were receiving opposition.

The divestment strategy can be part of a broader ESG banner that is important to tackle with fiduciary responsibility and risk management in mind. It is a complex process to screen out individual stocks. A lot depends on what the plan's holdings are and what the exposure is.

The initial analysis is critical since the primary responsibility of the board is as the fiduciary steward. They are working to achieve a return on investment that outpaces inflation and ultimately yields growth. What they saw in the analysis was poor performance of the fossil fuel industry in last 10 years.

Quarter Lagged Audit Finding Follow-Up

Paige Alderete provided a follow-up on the Quarter Lagged Audit Finding.

SCERS's 2020 audit had a significant finding that a material adjustment was needed to the SCERS financial statements to reflect fourth quarter performance for private market investments. Private market investments have historically been reported on a lagged basis because valuations were received in April or May. As a result, fourth quarter performance for private market investments was included in the financial statements of the following year. This has not had a material impact historically, but Q4 2020 had very strong performance for private markets so the impact was significant and needed to be recorded.

(11:18 am – Kimberly Loving left the meeting)

Staff worked with SCERS's private market investment managers. 19 out of 20 managers committed to provide final valuations by the 1st week of April. That covers 99% of SCERS total investments in private markets. The City accounting department agreed to annually open the books for recording the lagged investments in mid-April. If any investment values are not received by the cutoff, the investment value will be evaluated for materiality when the valuation is eventually received.

The new agreements allow the City to issue their CAFR by June 30th. SCERS Audit and valuation reports would be presented to the Board at the July board meeting.

The timeline will be incorporated into the City's annual plan. SCERS will memorialize the conversation with stakeholders in a memo. Mr. Lee and his staff are comfortable with the process that was described and are pleased with the outcome.

Investment Committee Report – August 26, 2021

Jason Malinowski reported on the August 26, 2021 Investment Committee meeting. Agenda items included the quarterly performance report, the annual ESG consultant report, and a real estate manager recommendation.

Staff recommended an investment of up to \$60 million in the JP Morgan Strategic Property Fund Asia ("SPF Asia"), an Asia-Pacific core real estate strategy. SPF Asia is managed by JP Morgan Asset Management ("JPMAM"). This recommendation is consistent with the Board's adopted strategic asset allocation that includes a 12% target weight to real estate. NEPC concurred with the recommendation.

Mr. Harvey had a question about the types of investments SCERS has in China due to a recent article stating that pension funds have lost \$400 billion in Chinese investments. Mr. Malinowski confirmed that SCERS has

investments in China in the equity and credit fixed income asset classes. Long-term performance from China investments have been very strong despite a recent sell-off driven by regulatory actions of the Chinese government against the education sector as well as the tech industry.

Motion: Upon motion by Robert Harvey, Jr., seconded by Judith Blinder, the Board of Administration accepted the Investment Committee's recommendation to invest up to \$60 million in the JP Morgan Strategic Property Fund Asia, pending satisfactory legal review. The motion passed unanimously (4-0).

Executive Director Update

Paige Alderete reported on a recent uptick in members wanting information about retirement and that staff are tracking the requests.

In the last four months, requests for retirement information have doubled from the previous time period. More information will be provided at a future board meeting.

Adjourn Meeting

Motion: Upon motion by Glen Lee, seconded by Judith Blinder, the Board of Administration voted to adjourn the meeting at 11:42 a.m. The motion was approved unanimously (4-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, October 14, 2021

This was a virtual meeting.

Board Members Present: Robert Harvey, Jr. (Chair), Sherri Crawford, Judith Blinder, Glen Lee

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, Ronda Iriarte, Mengfei Cao, Mark Schimizza, Dr. Leola Ross

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Patricia Kirkness (ARSCE), Michael Nagan (ARSCE), Tim Morrison (FAS)

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 September 9, 2021 Retirement board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$21,329,814.09
Office Payroll	333,117.84*
Admin & Investment Expenses	2,393,165.25
Total Expenses – September 2021	\$24,056,097.18

**includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – September 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	32	\$89,493.40	\$1,237,997.83
Withdrawals	15	n/a	\$871,948.09

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 (4-0).

Return to Work Overview

Paige Alderete reviewed the hybrid return to work model for Seattle City Employees' Retirement System staff.

SCERS offered Alternative Work Arrangements (AWA) for staff provided that business needs were met. Although many business needs can be met while working remotely, team culture is important to SCERS. Effective operations are best achieved by some onsite work and in-person interaction.

The type of hybrid work model depends on the team. SCERS information technology, investments, and accounting teams have the opportunity to work up to four days per week remotely. The member services team may work up to two days per week remotely.

There is a possibility that the member services team will begin onsite work prior to the Mayor's January 19, 2022 timeline.

Investment Committee Report – September 30, 2021

Jason Malinowski reported on the September 30, 2021 Investment Committee meeting. Agenda items included deep dives on the private equity and credit fixed income asset classes.

Staff also previewed a recommendation that will be coming later in 2021 to recommit to Adams Street Partners.

Executive Director Update

Jeff Davis and Paige Alderete provided information on SCERS's request for additional staffing. If the request is approved, SCERS would amend its budget from 27 FTE to 29 FTE.

SCERS has been experiencing increasing service requests. The increased volume of requests does not allow the member services team to give the level of communication that members deserve. The turnaround times and backlog also have to be addressed.

As of September 15, 2021 there are over 1,666 services requests in the queue. The Benefit Estimate requests take an average of 2 ½ months to close. The goal is to have it down to two to four weeks.

Mr. Davis said that he had communicated with CM Mosqueda, who was unable to attend the meeting, and that she was in support of the request. Other members of the Board expressed support for the request. Mr. Lee expressed concern that staff could not be added in a timely manner since the request was not part of the normal budget process. Mr. Davis stated that they could pursue other mechanisms, such as a quarterly supplemental ordinance, to formally add the position and budget authority.

Members of the Board amended the proposed motion to explicitly direct the Executive Director to seek position and budget authority from the City Council for the new positions.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration accepted the Staff's recommendation to add two (2) full-time regular positions and authorized any associated budget changes. The Board of Administration recommended that the Executive Director seek authority from the City Council through the budget process for additional budget authority and positions to meet these needs. The motion passed unanimously (4-0).

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Glen Lee, the Board of Administration voted to adjourn the meeting at 10:41 a.m. The motion passed unanimously (4-0).



Seattle City Employees' Retirement System

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

Minutes - Special Meeting, Wednesday, November 10, 2021

This was a virtual meeting.

Board Members Present: Robert Harvey, Jr. (Chair), Sherri Crawford, Judith Blinder, Kimberly Loving, Glen Lee

SCERS Staff Present: Jeff Davis, Paige Alderete, Nina Melencio, Ronda Iriarte, George Emerson, Maya Collins, Dr. Leola Ross

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Lauren Albanese (Fin News), Tim Morrison (FAS)

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 October 14, 2021 Retirement board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$20,844,066.05
Office Payroll	343,359.40
Admin & Investment Expenses	682,552.53
Total Expenses – October 2021	\$21,869,977.98

**includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – October 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	40	\$124,702.43	\$1,646,945.73
Withdrawals	24	n/a	\$871,955.96

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 (5-0).

Investment Committee Report – October 28, 2021

Jeff Davis reported on the October 28, 2021 Investment Committee meeting. Agenda items included a private equity recommitment to Adams Street Partners and an inflation update. Jeff Burgis and Michelle Gandhi were present to provide information on the commitment for Adams Street Partners-SCERS III and to answer questions from the committee. Don Stracke, NEPC, provided the inflation update.

Staff and NEPC recommended a commitment of up to \$280 million to Adams Street Partners-SCERS III (“ASP III”), the third tranche of a private equity custom strategy.

The Investment Committee approved the recommendation.

Motion: Upon motion by Judith Blinder, seconded by Sherri Crawford, the Board of Administration accepted the Investment Committee’s recommendation to commit up to \$280 million to Adams Street Partners-SCERS III, pending satisfactory legal review. The motion passed unanimously (5-0).

Administrative Committee Report – October 28, 2021

Mr. Davis reported on the October 28, 2021 Administrative Committee meeting. Agenda items included the Investment Consultant Evaluation follow-up, Trustee Education, Investment Advisory Committee appointments, and the member satisfaction survey.

The member satisfaction survey will be sent out to active and retired members who have received services in the past year. The Board will be informed of the results at a future meeting.

Joseph Boateng and Dwight McRae serve on the Investment Advisory Committee (IAC). Their three-year terms are expiring at the end of this year. Both have indicated a willingness to continue on the IAC. Mr. Boateng has also been chair of the IAC for the last 10 years and is wanting to step back. Keith Traverse is currently vice chair and will step into the role of Chair.

Motion: Upon motion by Judith Blinder, seconded by Glen Lee, the Board of Administration accepted the Administrative Committee’s recommendation and reappointed Joseph Boateng and Dwight McRae to the Investment Advisory Committee with a three-year term commencing on January 1, 2022. The motion passed unanimously (5-0).

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration accepted the Administrative Committee’s recommendation and appointed Keith Traverse as Chair of the Investment Advisory Committee commencing on January 1, 2022. The motion passed unanimously (5-0).

Deep Dive – Fraud Prevention and Monitoring

Paige Alderete provided the Deep Dive on Fraud Prevention and Monitoring for the Seattle City Employees' Retirement System. Ms. Alderete's presentation provided an overview of what SCERS is doing and the reasons why.

SCERS is responsible for ensuring that members get the benefits they have earned and that their information is protected. This requires safeguarding funds and having strong controls and security to protect against fraud.

The type of information that the pension fund maintains includes member names, date of birth, home address, Social Security numbers, as well as financial and investment information.

Ms. Alderete reviewed the system focused controls and member focused controls for the pension administration system and the types of controls in place for the Member Self-Service (MSS) portal. The MSS Portal currently has 7,000 users. Registration and login security requires five pieces of information, multi-factor authentication, and a pass phrase.

(10:29 am – Glen Lee and Kimberly Loving left the meeting.)

For investments, due diligence includes site visits, use of a custodian bank, use of a specialty operational due diligence firm, an investment transfer review and approval process, and use of known, validated accounts for wire transfers.

SCERS vision for the future is to develop a risk assessment matrix; formalize an incident response plan and policy; education to members on security and minimizing risk; continued education and training for SCERS staff; and red flag monitoring. Additionally, further enhancements will include additional audit log functionality; enhanced identity verification; and enhanced EFT account verification.

Executive Director Update

The current estimated funding level is 81% based on mark-to-market methodology and SCERS has \$4 billion in assets. SCERS is reaping the benefits of a well-managed portfolio.

Adjourn Meeting

The meeting adjourned at 10:41 am.



Seattle City Employees' Retirement System

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

Minutes, Thursday, December 9, 2021

Board Members Present: Teresa Mosqueda, Chair, Robert Harvey, Jr., Lou Walter, Sherri Crawford, Judith Blinder, Glen Lee

SCERS Staff Present: Jeff Davis, Jason Malinowski, Leola Ross, Nina Melencio, Ronda Iriarte, Mengfei Cao

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Andrew Collins (San Francisco Employees' Retirement System), Mike Nagan (ARSCE), Joe Ebisa (With Intelligence), Lauren Albanese (FIN News), Tim Morrison (FAS), Chase Kitchen (MO)

Call to Order

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

Public Comment

There was public comment from Mike Nagan, president of Association of Retired Seattle City Employees (ARSCE) wishing the board and staff happy holidays on behalf of ARSCE. Mr. Nagan thanked the staff for their work during the pandemic and thanked SCERS for providing virtual access to the meetings.

Administrative Consent Agenda

The following items represent normal expenses:	
Pension Payroll	\$21,816,239.44
Office Payroll	330,079.18
Admin & Investment Expenses	1,245,449.36
Total Expenses – November 2021	\$23,391,767.98

**includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – November 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	30	\$73,574.47	\$762,009.79
Withdrawals	8	n/a	\$693,940.60

Motion: Upon motion by Lou Walter, seconded by Sherri Crawford, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

ESG Quarterly Update

Dr. Leola Ross presented the Environmental, Social and Governance (ESG) update for Q4 2021 and provided a brief overview of the positive action strategy which includes shareholder advocacy, sustainability investments, and integrating climate risk into the investment process. The Board has identified climate change as an ESG priority for SCERS because of its criticality to the long-term risk and return of the capital markets. SCERS is an active member of five ESG-related investor organizations, having most recently added the Institutional Limited Partners Association (ILPA) that is focused on the private markets.

Shareholder advocacy activities are aimed at SCERS's investment managers, a limited set of high fossil fuel emitting companies, and government regulators. During the quarter, staff sent a letter to ISS with recommendations to improve its US Public Funds Proxy Guidelines related to climate change. Staff participated in Climate Action 100+ engagement meetings with Boeing and Weyerhaeuser. SCERS also supported the 2021 Global Investor Statement to Governments on the Climate Crisis that was sent in advance of COP26. Dr. Ross shared high-level takeaways from COP26 with the Board.

Tiger Infrastructure Partners, a SCERS-invested manager, made a sustainability investment in an electric vehicle charging infrastructure company. Staff met with the Principles for Responsible Investment (PRI) and UN Environment Programme to discuss the Net-Zero Asset Owners Alliance. While SCERS is aligned with several of the Alliance's tracks, the meeting reinforced that signing on to it would impose restrictions that conflict with SCERS's mission and investment beliefs. Dr. Ross also expressed that the Alliance's focus on net zero investment portfolios is not the same as having a net zero real economy, which is far more critical.

Dr. Ross shared preliminary ideas to enhance the ESG positive action strategy, which staff plans to engage the Board on during 2022. These ideas include formalizing ESG goals and associated metrics, adding policy advocacy, expanding the emphasis areas of voting and engaging, exploring diversity, equity and inclusion (DEI) as an additional ESG priority, and broadening thematic investments.

Councilmember Mosqueda shared that Seattle recently joined with 18 other cities in making the Divest/Invest pledge as part of C40 Cities. CM Mosqueda asked about the analysis of the Net-Zero Asset Owners Alliance covered in the staff presentation. Mr. Malinowski responded that staff looked to the Board's ESG Policy when determining that it was not suitable for SCERS to sign-on to the Alliance.

ESG Discussion – San Francisco Employees' Retirement System

CM Mosqueda invited Andrew Collins, Director of ESG Investing for the San Francisco Employees' Retirement System (SFERS) to present SFERS's Climate Action Plan to the Board. Mr. Collins provided background information on SFERS, covering its portfolio structure and ESG-related beliefs and history. SFERS has divested from tobacco, Sudan, firearms, and thermal coal.

The three pillars of SFERS's ESG platform are active ownership, ESG investment management and ESG collaboration. Mr. Collins noted that there is meaningful overlap with SCERS's strategy.

SFERS has the ambition to become a net zero owner by 2050, which they recognize will also require policy prioritization and technological innovation. SFERS is only able to measure the carbon footprint of their public markets allocation, so they are actively working to expand coverage to private markets.

Judy Blinder commented that a net zero portfolio would limit the sectors invested and therefore the portfolio may no longer sit on the efficient frontier. Mr. Collins responded that the impact of SFERS investment exclusions has been slightly negative over time. The SFERS Board recognizes that divestment is an active top-down decision, and they are very selective in taking this action.

(11:05 am – Glen Lee Joined the meeting.)

CM Mosqueda asked how SFERS began their Climate Action Plan. SFERS staff developed a climate transition risk framework in 2018 that focused initially on coal and oil & gas companies that has recently been expanded to the utility sector as well. The SFERS Board approved the conceptual framework and directed staff to formalize an action plan that was developed in 2020.

Investment Committee Report – November 18, 2021

Jason Malinowski reported on the November 18, 2021 Investment Committee meeting. NEPC reviewed the Q3 2021 performance report and George presented the annual cost effectiveness and fee analysis.

Staff and NEPC also recommended redeeming from Heitman American Real Estate Trust because they identified better opportunities. This determination came out of routine monitoring of existing and prospective managers with a replacement manager expected to be recommended in the first half of 2022.

Motion: Upon motion by Glen Lee, seconded by Robert Harvey, Jr., the Board of Administration accepted the Investment Committee's recommendation to redeem from the Heitman American Real Estate Trust. The motion passed unanimously (6-0).

Executive Director Update

Jeff Davis reminded the Board that this meeting was the last one of the year and wished all a happy new year.

CM Mosqueda reported that the City Council amended the 2022 budget to include the 2 new Member Services positions approved by the Board.

Adjourn Meeting

Motion: Upon motion by Teresa Mosqueda, seconded by Robert Harvey, Jr., the Board of Administration voted to adjourn the meeting at 11:23 a.m. The motion passed unanimously (6-0).