



Seattle City Employees' Retirement System

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

Minutes, Thursday, January 27, 2022

The meeting was held virtually.

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

IAC Members Present: Joseph Boateng, Dwight McRae

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

Others Present: Mike Monaco (MMPL), Don Stracke (NEPC), Jennifer Appel (NEPC), Nick Collier (Milliman), Tom Mikesell (LEG), Matt Courtois (FAS), Mike Malchenko (NEPC), Joe Ebisa (Journalist from With Intelligence), Tim Morrison (FAS)

Call to Order

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

Public Comment

There was no public comment.

Minutes

Approved Minutes from the November 18, 2021 Investment Committee meeting.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee approved the minutes from the November 18, 2021 Investment Committee meeting. The minutes passed unanimously (4-0).

Annual Investment Review and Planning Session

Jason Malinowski briefly reviewed results from the first annual Investment Consultant Evaluation.

Mr. Malinowski, Leola Ross, George Emerson, Mengfei Cao, and Don Stracke (NEPC) presented the Annual Investment Review and Planning Session.

Mr. Malinowski briefly reviewed the 2021 key initiatives. SCERS hired and onboarded two investment team members, Leola Ross and Mengfei Cao. Staff collaborated with JP Morgan Asset Management to develop a liability-aware investing framework that reflects a public pension plan perspective. They kicked off implementation of the enhanced operational due diligence program and advanced the ESG positive action strategy.

For 2022, the key initiatives will be to develop and advance the ESG positive action strategy 2.0; improve the system's awareness of liabilities and tolerance for risk in the asset-liability study process; support the actuary and Board in evaluating the investment returns and inflation assumptions during the experience study process; and evaluate risk/analytics vendors for a high-value platform that meets SCERS's needs.

Staff members reviewed the 2021 activity and 2022 plans for each asset class.

There was discussion on how inflation will impact the fund. There was a request to have the topic at a future meeting.

Mr. Stracke provided NEPC's perspective by comparing SCERS to best practices observed in their public pension client base. SCERS has a strong investment beliefs statement and implementation has been consistent with those beliefs. SCERS has an appropriately sized investment staff and was able to identify and recruit new investment staff well in a Covid environment. There are significant staff resources dedicated to ESG compared to peers. The Investment Advisory Committee (IAC) makes a tremendous contribution to SCERS and is a differentiator since few of NEPC's clients have a similar committee.

Investment Outlook and Capital Market Assumptions

Don Stracke and Jenn Appel of NEPC reported on NEPC's 2022 Investment Outlook and Capital Market assumptions and answered questions from the committee members.

Ms. Appel provided background information on NEPC's assumptions setting process. The SCERS portfolio has an expected return of 5.5% for the 10-year period and 6.8% for the 30-year period. Return expectations have fallen meaningfully over the last several years with the 30-year expected return now lower than the current investment return assumption of 7.25%.

NEPC had considered virus trajectory a key market theme entering 2021. The improvement in economic data, labor markets, and risk assets highlights the diminishing impact of the pandemic on capital markets. NEPC's key market themes entering 2022 are economic crossroads, permanent interventions, globalization backlash and China transitions. Ms. Appel provided a description and potential outcomes of each theme.

Adjourn Meeting

Motion: Upon motion by Glen Lee, seconded by Judith Blinder, the Investment Committee voted to adjourn the meeting at 1:29 p.m. The motion passed unanimously (5-0).