



Seattle City Employees' Retirement System

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

Minutes, Thursday, January 28, 2021

**Due to the “Healthy Washington, Roadmap to Recovery” order issued
By Governor Inslee, the meeting was held remotely.**

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

IAC Members Present: Joseph Boateng (IAC Chair), Dwight McRae

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney’s Office), Don Stracke (NEPC), Allan Martin (NEPC), Tim Morrison (FAS)

Call to Order

Robert Harvey, Jr., Chair, called the meeting to order at 12:01 p.m.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the November 19, 2020 Investment Committee.

Motion: Upon motion by Judith Blinder, seconded by Sherri Crawford, the Investment Committee approved the minutes from the November 19, 2020 Investment Committee meeting. The motion passed unanimously (3-0).

Investment Outlook and Capital Market Assumptions – NEPC

Don Stracke and Allan Martin of NEPC reported on NEPC’s 2021 Investment Outlook and Capital Market assumptions and answered questions from the committee members.

(12:03 p.m. – Bobby Humes arrived at the meeting.)

NEPC is expecting lower long-term performance due to the combination of falling interest rates and inflation expectations. For the 30-year period, the expected return for the SCERS portfolio declined from 7.3% to 6.8% over the last year. The 30-year expected return of 6.8% is lower than the current assumed rate of return of 7.25%.

NEPC's key market themes entering 2021 are virus trajectory, permanent interventions, globalization backlash, and China transitions. NEPC is more concerned about virus trajectory (which is more dominant), closely followed by permanent interventions.

(12:24 p.m. – Glen Lee arrived at the meeting.)

There was discussion on interest rates and the impact the pandemic has had on the economy. NEPC is not predicting a rapid recovery from the pandemic. There is so much damage that has to be corrected and rebuilt. There is tremendous uncertainty in forecasts. Any changes made to the portfolio should be incremental due to the uncertainty.

Annual Investment Review and Planning Session

Jason Malinowski, Jill Johnson, Cecelia Chen, George Emerson, and Don Stracke (NEPC) presented the Annual Investment Review and Planning Session. They described SCERS's investment activities in 2020 and what is being planned for 2021. As of January 1, 2021, the fund is estimated at \$3.5 billion with 76% funding ratio mark-to-market (based on 7.25% rate of return).

Mr. Malinowski briefly reviewed 2020 key initiatives. Staff successfully adapted to a work-from-home environment due to the Covid-19 pandemic. SCERS developed an enhanced operational due diligence program that included engagement with a specialist vendor, Castle Hall. SCERS advanced the Environmental, Social, and Governance (ESG) positive action strategy, including the incorporation of ESG manager ratings across asset classes.

For 2021, the key initiatives will be to begin implementation of the enhanced operational due diligence program; continue research and development of a liability-aware investing framework that reflects a public pension plan perspective; develop a process to capture the collective risk tolerance of the Investment Committee; and continue advancement of the ESG positive action strategy.

Staff members reviewed the 2020 activity and 2021 plans for each asset class.

Mr. Stracke provided NEPC's perspective by comparing SCERS to best practices observed in their public pension client base. He recommended that SCERS formally review the consultant on an annual basis.

Mr. Malinowski announced a couple of team changes. George Emerson has joined the team on a full-time basis as a Senior Investment Officer. Mr. Emerson will focus on fixed income and infrastructure.

Jill Johnson has announced she will be retiring at the end of March to focus on her animal rescue farm. Mr. Malinowski thanked Ms. Johnson for her contributions, especially in the area of ESG.

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee voted to adjourn the meeting at 1:31 p.m. The motion passed unanimously (5-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, February 25, 2021

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

IAC Members Present: Joseph Boateng (Chair), Dr. Cathy Cao, Steve Hill, Dwight McRae,

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Don Stracke (NEPC), Mike Malchenko (NEPC), Tim Morrison (CBO)

Call to Order

Robert Harvey, Jr., Chair, called the meeting to order at 12:01 pm.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the January 28, 2021 2020 Investment Committee.

Motion: Upon motion by Bobby Humes, seconded by Teresa Mosqueda, the Investment Committee approved the minutes from the January 28, 2021 Investment Committee meeting. The motion passed (6-0).

Investment Advisory Committee Annual Report

Joseph Boateng, Dr. Cathy Cao, Steve Hill, Dwight McRae, and Keith Traverse of the Investment Advisory Committee (IAC) attended the February 25, 2021 Investment Committee meeting. Mr. Boateng, chair of the IAC, reported on the 2020 IAC Annual Report to the committee.

The IAC offers strategic guidance that is intended to endure over the long-term. Mr. Boateng discussed the guidance in the report which included: (1) commitment to financial sustainability; (2) focus on fee effectiveness; (3) align investment beliefs with processes and resources; and (4) support continual learning. SCERS has undertaken several initiatives in the past several years that are aligned with the IAC's guidance.

(12:08 p.m. – Lou Walter arrived at the meeting.)

The IAC also provides shorter-term recommendations for the upcoming year. The IAC and Investment Committee members discussed the recommendations in the report which included: (1) augmenting SCERS's risk management framework; (2) scheduling interim meetings with the Executive Director to review the bylaws and evaluate other operational matters; and (3) continuing their focus on fee effectiveness. Mr. Boateng commended the staff on their continual effort to assess fee effectiveness.

The IC members thanked members of the IAC for their work and objectivity.

Jason Malinowski reviewed staff's response to the Investment Advisory Committee (IAC) recommendations provided in the IAC 2020 Annual Report. The IAC recommendations continue to be helpful guidance for SCERS planning and prioritization. A formal staff response was developed and presented for the first time in 2020 and will continue going forward

Quarterly Performance Review – Q4 2020

Don Stracke and Mike Malchenko of NEPC reviewed SCERS's investment performance for the period that ended December 31, 2020. SCERS returned 12.6% net-of-fees for the last year, which underperformed the policy index that returned 13.2% and outperformed the median public pension fund that returned 10.8%. Assets increased from \$3.14 billion to \$3.52 billion over the last year.

Asset-Liability Integrated Performance Discussion

Mr. Malinowski presented on integrating the performance of assets and liabilities. 2020 was a strong year for system assets represented by the investment portfolio. However, return expectations fell materially, which implies that system liabilities also increased in 2020. This suggests that a focus exclusively on asset returns can provide a distorted perspective when evaluating the financial health of the system. Since assets and liabilities are often correlated, their effects can be offsetting.

Staff is working with JP Morgan Asset Management on a liability-aware investing framework with the hope of incorporating it in the next asset-liability study. Staff also will collaborate with Milliman and NEPC on potential reporting enhancements.

Adjourn Meeting

Motion: Upon motion by Teresa Mosqueda, seconded by Glen Lee, the Investment Committee voted to adjourn the meeting at 1:09 pm. The motion passed unanimously (7-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, March 25, 2021

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

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

IAC Members Present: Joseph Boateng (IAC Chair)

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office),
Don Stracke (NEPC), John Lutz (NEPC), Donald Leung (ABS),
Guilherme Valle (ABS), Celina Rodriguez (ABS), Tim Morrison (FAS),
Tom Mikesell (LEG)

Call to Order

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

Public Comment

There was no public comment.

Minutes

(12:01 pm – Teresa Mosqueda arrived at the meeting.)

Approved Minutes from the February 25, 2021 Investment Committee.

Motion: Upon motion by Bobby Humes, seconded by Teresa Mosqueda, the Investment Committee approved the minutes from the February 25, 2021 Investment Committee meeting. The motion passed unanimously (4-0).

Public Equity Deep Dive

Jill Johnson provided a deep dive discussion on the Public Equity Asset class that included its portfolio role, size, strategy, investment managers, and performance.

(12:04 pm – Sherri Crawford and Glen Lee arrived at the meeting.)

Public Equity drives the return and risk of SCERS's investment portfolio due to its large current and target allocation of 51.6% and 48%, respectively, as well as its high expected return and volatility. Public Equity is currently overweight its target allocation because it serves as a placeholder for underweight private market asset classes. Total performance of the asset class has been strong over the short and medium-term through December 31, 2020.

Over the last 12 months staff have reviewed and reaffirmed the value tilt that was discussed at the June 2020 Investment Committee meeting; modified the securities lending program to allow US government securities as collateral; and researched the Japanese equity market and manager universe.

Don Stracke and John Lutz, of NEPC, collaborated with staff on the research into the Japanese equity market. The research project supported the thesis that the Japan equity market appears to be inefficient and therefore SCERS may benefit from shifting a portion of its allocation from passive to active management. While Japan is a large economy and market, it has been neglected by the global investment community. Japan also has a vast universe of investible stocks and wide dispersion in results. This lack of coverage and breadth of opportunity should allow skilled active managers to generate excess return.

NEPC and staff created and distributed an RFI to managers and sourced over 30 strategies from managers across the globe via known platforms and network/word of mouth introductions within the industry. A multiple stage due diligence process was conducted and, ultimately, a multi-manager approach was decided to be the best initial fit for SCERS. There was discussion on Japan's governance, transparency, diversity, and adherence to global reporting standards.

Public Equity Manager Recommendation – ABS Japan Strategic Portfolio

Staff is recommending an investment of up to \$60 million in the ABS Japan Strategic Portfolio, a multi-manager strategy focused on the Japanese equity market. This represents approximately half of the total allocation to Japan within the public equity asset class. This investment would be SCERS's second investment with ABS Investment Management.

The capital for the ABS investment would be sourced by reducing the amounts invested in the BlackRock MSCI World ex-US Fund and the Dimensional International Small Cap Fund, as well as restructuring these fund investments to remove their Japan allocations. SCERS would be the seed investor in the strategy. NEPC supports staff's recommendation to hire ABS.

(1:00 pm, Bobby Humes left the meeting.)

Guilherme Valle, Celina Rodriguez, and Donald Leung of ABS Investment Management LLC presented information about the team and strategy as well as answered questions from the committee members. ABS currently manages \$6.9 billion in assets.

ABS employs a multi-manager approach to equity investing and believes that local expertise is essential since each market has its own dynamic. Mr. Leung has been based out of Hong Kong since 2008. The ABS Japan Strategic Portfolio will invest in Japanese equity specialist managers with the goal of outperforming the MSCI Japan IMI index.

Motion: Upon motion by Judith Blinder, seconded by Glen Lee, the Investment Committee recommended that the Board of Administration invest up to \$60 million in the ABS Japan Strategic Portfolio, pending satisfactory legal review. The motion passed unanimously (5-0).

Adjourn Meeting

Motion: Upon motion by Teresa Mosqueda, seconded by Glen Lee, the Investment Committee voted to adjourn the meeting at 1:43 p.m. The motion passed unanimously (5-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, April 29, 2021

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

IC Members Present: Robert Harvey, Jr. (Chair), Judith Blinder, Sherri Crawford, Bobby Humes

IAC Members Present: Joseph Boateng (Chair)

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Don Stracke (NEPC), Tim Morrison (FAS)

Call to Order

Robert Harvey, Jr., chair, called the meeting to order at 12:00 pm.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the March 25, 2021 Investment Committee.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee approved the minutes from the March 25, 2021 Investment Committee meeting. The motion passed unanimously (3-0).

Real Estate Deep Dive

Jason Malinowski, Cecelia Chen, and Don Stracke (NEPC) provided a deep dive discussion on the Real Estate asset class and answered questions from the committee.

Real Estate offers diversification to equities and is expected to provide some protection against unexpected inflation. SCERS is mostly invested throughout the US and is working to diversify globally. SCERS's allocation to Real Estate is currently 9.2%, which is below the 12% target weight.

Over the last 12 months staff began the process of resizing the amount invested in SCERS's three core real estate managers to be more balanced, which has been slowed by the pandemic; committed \$17.5 million to Sculptor Real Estate Fund IV, a global non-core strategy; and performed a comprehensive review of the Asia core real estate manager universe.

Total performance of the asset class has been challenged recently due to the COVID-19 pandemic. SCERS performance has trailed the index due to manager sector positioning. The pandemic has accelerated several trends that were already happening, i.e., e-commerce. The divergence in performance in property types is expected to continue and be more pronounced.

Based on NEPC's review, they are recommending that SCERS commit approximately \$25 million to non-core real estate for the upcoming year based on the 12% allocation target and a gradual increase each year going forward; as well as commit \$50-75 million to core Asian Real Estate with a similar sized commitment to core European Real Estate in two to three years.

Real Estate Manager Recommitment – Brookfield Strategic Real Estate Fund IV

Cecelia Chen presented Staff's recommendation to commit up to \$25 million to Brookfield Strategic Real Estate Partners IV ("BSREP IV"), a global and sector diversified real estate strategy.

BSREP IV would be SCERS's third fund investment in Brookfield's real estate strategy. SCERS had committed \$25 million to Brookfield Strategic Real Estate Partners III and \$15 million to Brookfield Strategic Real Estate Partners II. SCERS has also committed a total of \$29.5 million to two Brookfield infrastructure funds.

NEPC concurred with staff's recommendation.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee recommended that the Board of Administration commit up to \$25 million to Brookfield Strategic Real Estate Fund IV, pending satisfactory legal review. The motion passed unanimously (3-0).

Manager Research Process

Staff and NEPC presented their manager research processes as previously requested by CM Teresa Mosqueda.

Mr. Malinowski reviewed SCERS's five-step process that includes manager universe identification, investment due diligence, operational due diligence, Investment Committee/Board approval, and legal review. Staff develops a ratings matrix for each manager which consists of investment factors related to organization, investment strategy and track record, and operational factors.

(1:20 p.m. – Bobby Humes arrived at the meeting.)

Mr. Stracke reviewed NEPC's process, which is a combination of quantitative analysis of a track record and qualitative analysis of incentive and alignment. NEPC has 60 people on their research team, which allows them to have comprehensive coverage of the manager universe. NEPC's rating framework is very similar to SCERS. Their highest rated managers end up on their Focused Placement List (FPL). NEPC has increased its focus on diverse managers by gender or ethnicity.

Adjourn Meeting

Motion: Upon motion by Bobby Humes, seconded by Sherri Crawford, the Investment Committee voted to adjourn the meeting at 1:42 p.m. The motion passed unanimously (4-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, May 27, 2021

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

IC Present: Robert Harvey, Jr (Chair), Judith Blinder, Sherri Crawford, Bobby Humes, Glen Lee

IAC Present: Joseph Boateng (Chair), Dr. Cathy Cao, Steve Hill, Dwight McRae, Keith Traverse

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Leola Ross, Mengfei Cao, Tim Morrison (FAS), Tom Mikesell (LEG)

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 April 29, 2021 Investment Committee.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee approved the minutes from the April 29, 2021 Investment Committee meeting. The motion passed unanimously (3-0).

Investment Team Update

Jason Malinowski introduced the Investment Team's two new members.

Leola Ross, Ph.D., CFA, will be joining SCERS during the summer as Deputy Chief Investment Officer. Ms. Ross is currently a director, research & development for Russell Investments. She currently chairs the Russell Investments' Responsible Investing Council and has been a member of the Academic Advisory Board for the Economics Department at Seattle University since 2011.

Mengfei Cao, CFA, FRM, will be joining SCERS on June 1st as an Investment Officer. Ms. Cao is currently a portfolio analyst at the Clarius Group. Prior to joining the Clarius Group, she worked at BlackRock where she was responsible for fund of fund valuation.

Quarterly Performance Review – Q1 2021

In the five-year period ended March 31, 2021, the Fund returned 10.65%, outperforming the Fund's Strategic Policy Benchmark by 0.16%. The five-year return ranked in the top-quartile in its peer group. The Fund's volatility ranked in the 42nd percentile and the Sharpe ratio ranked in the 24th percentile.

(12:04 p.m. – Bobby Humes and Glen Lee joined the meeting.)

Assets increased from \$2.867 billion one year ago to \$3.715 billion ended March 31, 2021. The Fund returned 35.09% in the one-year ended March 31, 2021, outperforming the policy benchmark by 1.94% and ranked in the 29th percentile among its peers.

Investment Risk Framework

Jason Malinowski presented SCERS's Investment Risk Framework. SCERS developed and implemented an investment risk framework in 2018 at the recommendation of the Investment Advisory Committee. Staff presents on SCERS's investment risks annually.

The analysis is focused on SCERS's assets. Staff is working with JP Morgan Asset Management to develop a liability-aware investing methodology that can be incorporated in the next asset liability study. The investment risk principles are:

- Risk should be assessed relative to SCERS's investment goals.
- Risk management is not risk avoidance.
- Risk assessment should be focused on the total portfolio, rather than individual asset classes or managers.
- Diversification is SCERS's preferred risk management strategy.

Mr. Malinowski reviewed the investment risk framework goals:
Risk Awareness + Portfolio Intentionality = Staying Power

Covid was a real test case for risk awareness and portfolio intentionality. SCERS stuck to the pacing plans and some of the results we have seen are a testament to staying the course in that environment. SCERS is currently 71% funded. Based on a median path, we would expect to be at 70% funded in 10 years.

SCERS has ample access to cash to meet its cash flow demands, including benefit payments, private markets fund commitments, and portfolio rebalancing.

Core Fixed Income Deep Dive

George Emerson and Don Stracke, NEPC, presented the annual Core Fixed Income deep dive. Core Fixed income is represented by high-quality borrowers and has low expected risk, return, and sensitivity to equity markets. The market consensus is that interest rates will be lower for longer than was expected, which reflects concerns with the macroeconomy.

SCERS's target allocation to Core Fixed Income is 18% with a current allocation of 21.2%. Core Fixed Income serves as a placeholder for the underweight to real assets. SCERS performance has been in-line with the index.

(1:35 p.m. – Glen Lee left the meeting).

Core Fixed Income managers are PIMCO and Pugh Capital Management. SCERS has been with Pugh since 1994 and has had an allocation with PIMCO since 2009. The mandate is split equally between the two managers.

In the last year, staff have redirected the portfolio's cash balance to a more conservative short-term investment fund that invests solely in US government securities and repurchase agreements collateralized by such securities. Staff also continued to monitor the Core Fixed Income portfolios with periodic rebalancing as market values changed.

There are no new Core Fixed Income initiatives expected.

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee voted to adjourn the meeting at 1:47 p.m. The motion passed unanimously (4-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, June 24, 2021

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

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

IAC Members Present: Joseph Boateng (Chair), Dwight McRae

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Don Stracke (NEPC), Emil Henry (Tiger), Kevin Baload (FundMap), Lauren Albanese (Financial Investment News), Dave Breuner (Threadmark), Tim Morrison (FAS)

Call to Order

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

Public Comment

There was no public comment.

Minutes

Approved Minutes from the May 27, 2021 Investment Committee.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee approved the minutes from the May 27, 2021 Investment Committee meeting. The motion passed unanimously (3-0).

Infrastructure Deep Dive

George Emerson presented the annual deep dive of the infrastructure asset class and briefly reviewed the managers, portfolio structure, and pacing plan. Don Stracke, NEPC, discussed the market environment. Infrastructure is a relatively new asset class which was recommended from the 2015 asset-liability study and with the first investments made in 2016.

SCERS has a current and target allocation of 1.3% and 4%, respectively. The performance of the asset class has been resilient through the pandemic with SCERS performance exceeding the benchmark since inception.

(12:19 pm – Glen Lee joined the meeting.)

SCERS has three managers in this asset class: Brookfield, Global Infrastructure Partners, and Stonepeak Infrastructure Partners. During the last 12 months, NEPC has developed a pacing plan for real assets recommending a commitment of \$25 million per year to infrastructure funds. Staff and NEPC are recommending a \$20 million commitment to Tiger Infrastructure Partners Fund III.

Looking forward, SCERS will commit additional capital to existing and prospective infrastructure managers to prudently grow the allocation to its target weight in a manner that is diversified across geographies, sector, and risk profile.

Infrastructure Manager Selection – Tiger Infrastructure Partners Fund III

Mr. Emerson and Mr. Stracke presented a recommendation to commit up to \$20 million to Tiger Infrastructure Partners Fund III (Tiger III), a North American and European sector diversified infrastructure strategy. Tiger III is managed by Tiger Infrastructure Partners (Tiger).

NEPC concurs with staff's recommendation and has selected Tiger III as a preferred strategy on their Focused Placement List (FPL) with a top rating of 1. NEPC rates Tiger with an ESG score of 2 on a scale of best-in-class 1 to a not-factor 5. Castle Hall, SCERS's operations due diligence consultant, gave Tiger a rating of "accept" which is their highest rating.

Emil Henry, CEO and Managing Director of Tiger, provided an overview of Tiger Fund III, the investment team, their sector focus, and strategies. Tiger invests in the communications, transportation, and energy transition sectors. Tiger is focused on providing growth capital to mid-market infrastructure platforms and companies.

Motion: Upon motion by Glen Lee, seconded by Sherri Crawford, the Investment Committee recommended that the Board of Administration commit up to \$20 million to Tiger Infrastructure Partners Fund III, pending satisfactory legal review. The motion passed unanimously (4-0).

Adjourn Meeting

Motion: Upon motion by Glen Lee, seconded by Sherri Crawford, the Investment Committee voted to adjourn the meeting at 1:33 p.m. The motion passed unanimously (4-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, July 29, 2021

The Investment Committee meeting was held virtually.

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

IAC Members Present Joseph Boateng (Chair)

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Don Stracke (NEPC), Seth Goldman (NEPC), Hillary Higgins (Brookfield), Chris Harris (Brookfield), Jill Ziegler (Brookfield), Scott Meller (Brookfield), Tim Morrison (FAS), Lauren Albanese (FIN News), Cyril Espanol (Pageant Media)

Call to Order

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

Public Comment

There was no public comment.

Minutes

Approves Minutes from the June 24, 2021 Investment Committee.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee approved the minutes from the June 24, 2021 Investment Committee meeting. The motion passed unanimously (3-0).

Integrating Climate Risk into the Investment Process

Jason Malinowski presented information on how SCERS integrates climate risk into the investment process, which is one component of the ESG positive action strategy. The other components are shareholder advocacy and sustainability investments. The ESG positive action strategy is focused on climate change because of its criticality to the long-term risk and return of the capital markets.

Climate risk manifests to financial risk in two forms:

- Physical Risk – financial risk resulting from an increase in the severity and frequency of weather events and sustained changes in weather patterns
- Transition Risk – financial risk resulting from society effectively decarbonizing via policy-making and other climate mitigating efforts.

SCERS integrates climate risk into the activities where it is responsible, namely strategic asset allocation and manager selection. Other activities, like security selection, are delegated to external investment managers. SCERS partnered with NEPC in 2019 to develop a climate change scenario analysis framework that was incorporated into the strategic asset allocation decision. Staff and NEPC also assess how managers incorporate climate risk in their investment decision-making and portfolio. The importance placed on climate risk will vary by manager and is related directly to the financial materiality of climate risk on the asset class and strategy.

(12:20 pm – Glen Lee joined the meeting.)

There was discussion on passive investing. Mr. Malinowski commented that it would be inappropriate for passive strategies to consider climate risk in their stock selection process, since passive investing entails owning the entire market with weights corresponding to their market capitalization. There has been an influx of new index products that track ESG-related indices, but these should not be considered passive strategies. While the manager invests passively in these products, SCERS would take-on the active management responsibility. Leola Ross mentioned that these ESG index products also have higher fees.

Hillary Higgins and Jill Ziegler of Brookfield presented on climate change considerations. Brookfield has been an existing SCERS manager since 2015 and is focused exclusively on real assets.

Brookfield operates under a set of global principles:

- Mitigate the impact of their operations on the environment
- Ensure the well-being and safety of employees
- Uphold strong governance practices
- Be good corporate citizens

Brookfield incorporates ESG in the investment process through due diligence, their investment committee, and asset management. In 2021, Brookfield's top ESG focus is on climate change and GHG emissions and are proactively assessing the carbon footprint of the portfolio. Brookfield has joined the Net Zero Asset Managers ("NZAM") initiative which is a group of international asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.

Globalizing Real Estate

Don Stracke and Seth Goldman of NEPC presented "Real Estate: A Case for Global Diversification".

SCERS's Core Real Estate allocation is entirely invested in the United States. Geographic diversification is expected to improve risk-adjusted return. NEPC and SCERS have been evaluating whether to globalize the core real estate allocation since 2018. The implementation plan is near-complete for Asia and in the preliminary stages for Europe.

Almost 65% of the investable universe is outside the US. Asia-Pacific has been the fastest grower and outpaced the US and Europe.

There is an increased opportunity to invest in highly liquid markets. 13 of the top 20 most liquid commercial property markets are located outside the US. Primary focus is on the largest, most established, and liquid property markets. The secondary focus is on select emerging markets.

SCERS and NEPC are currently in late-stage due diligence with JPMorgan. Staff hope to have the due diligence completed by the August 26, 2021 Investment Committee meeting.

Adjourn Meeting

Motion: Upon motion by Glen Lee, seconded by Judith Blinder, the Investment Committee voted to adjourn the meeting at 1:39 p.m. The motion passed unanimously (4-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, August 26, 2021

This meeting was held virtually.

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

IAC Members Present: Joseph Boateng (Chair), Steve Hill, Keith Traverse, Cathy Cao, Dwight McRae

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

Others Present: Mike Monaco (MMPL), Don Stracke (NEPC), Dulari Pancholi (NEPC), Michael Malchenko (NEPC), Leah Tongco (NEPC), David Chen (JP Morgan), Ben Aiken (JP Morgan), Darren Smith (JP Morgan), Tim Morrison (FAS), Kevin Balaod (Pageant Media), Lauren Albanese (Fin News)

Call to Order

Robert Harvey, Jr., Chair, called the meeting to order at 12:01 pm.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the July 29, 2021 Investment Committee.

Motion: Upon motion by Glen Lee, seconded by Sherri Crawford, the Investment Committee approved the minutes from the July 29, 2021 Investment Committee meeting. The motion passed unanimously (5-0).

Real Estate Manager Selection – JP Morgan Strategic Property Fund Asia

Jason Malinowski and Mengfei Cao presented the recommendation of 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 would be SCERS’s second fund investment with JP Morgan Asset Management. This recommendation is consistent with

the Board's adopted strategic asset allocation that includes a 12% target weight to real estate. It is also consistent with the goal of adding geographic diversification to SCERS's core real estate portfolio, which is currently allocated solely to the U.S. Staff reviewed the due diligence process conducted to make this recommendation.

NEPC concurred with staff's recommendation. Staff have been working with NEPC for several years to evaluate Asia real estate funds and they plan to conduct a similar process for European real estate funds in the future.

David Chen, Ben Aiken, and Darren Smith of JP Morgan were present during the meeting to provide more information on the investment and to answer questions from the Investment Committee and Investment Advisory Committee.

Motion: Upon motion by Sherri Crawford, seconded by Glen Lee, the Investment Committee recommended that the Board of Administration invest up to \$60 million in the JP Morgan Strategic Property Fund Asia, pending satisfactory legal review. The motion passed unanimously (5-0).

Quarterly Performance Review – Q2 2021

Don Stracke of NEPC reviewed the performance report for the period that ended June 30, 2021.

Gross performance over the last 30 years is 7.8%, above the assumed rate of return of 7.25%. For the one-year period ending June 30, 2021, the fund returned 29.2% net of fees, outperforming its benchmark by 2.3%. Assets increased from \$3.13 billion one year ago to \$3.89 billion ended June 30, 2021.

ESG Annual Consultant Review

Dulari Pancholi of NEPC presented the ESG Annual Consultant Review which provided an overview of the ESG investing landscape and trends, NEPC's approach to ESG, and NEPC's sustainability initiatives. Ms. Dulari is Principal and Co-head of NEPC's Impact Investment Committee. The Impact Investment Committee is responsible for analyzing trends, researching ESG focused managers, and working with clients to develop strategies that meet their needs.

Ms. Pancholi described the primary forms of ESG investing. Public pensions typically employ ESG integration and shareholder engagement. Negative screening applies mainly to religious organizations and thematic investing applies also to endowments and foundations.

Ms. Pancholi described NEPC's sustainability initiatives over the past year. NEPC co-founded The Investment Consultants Sustainable Working Group – United States with 13 other consultants. NEPC also produced its first annual Diversity, Equity and Inclusion Progress Report.

Mr. Stracke reviewed SCERS against ESG best practices. SCERS has created a well thought out, rigorous process. SCERS has a well-articulated positive action strategy that includes shareholder advocacy, sustainable investments, and integration of climate risk into the investment process. NEPC has completed ESG ratings for all SCERS managers on a scale of one being the highest (Best in Class) and five the lowest rating (No integration).

(1:58 p.m. – Kimberly Loving left the meeting.)

Adjourn Meeting

Motion: Upon motion by Glen Lee, seconded by Sherri Crawford, the Investment Committee voted to adjourn the meeting at 2:01 p.m. The motion passed unanimously (4-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, September 30, 2021

This meeting was held virtually.

IC Members Present: Glen Lee (Chair), Judith Blinder, Kimberly Loving

IAC Members Present: Joseph Boateng (Chair), Dwight McRae

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Don Stracke (NEPC), Michelle Gandhi (ASP), Greta Nolan (ASP), Lauren Albanese (FIN News)

Call to Order

Glen Lee, Chair, called the meeting to order at 12:00 pm.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the August 26, 2021 Investment Committee.

Motion: Upon motion by Judith Blinder, seconded by Glen Lee, the Investment Committee approved the minutes from the August 26, 2021 Investment Committee meeting. The motion passed unanimously (3-0).

Private Equity Deep Dive

Jason Malinowski presented the annual deep dive of the Private Equity asset class that included its portfolio role, size, strategy, underlying investment managers, and performance.

Private equity is a critical return driver of SCERS's investment portfolio and has the highest expected return of any asset class although it is characterized by high volatility and sensitivity to economic growth, high fees, and low liquidity. SCERS has a current and target allocation of 12.2% and 11%, respectively.

Asset class performance has been very strong over the short and medium-term. SCERS's net return has been 70.2% for the last year and 21.7% annualized for the last five years as of March 31, 2021. SCERS has outperformed the private equity and public equity indices.

SCERS has partnered with Adams Street Partners (ASP) since 2014. ASP runs a customized multi-manager strategy for SCERS that invests in private equity funds. Staff and NEPC continue to have high confidence in ASP due to their impressive performance and pace of capital deployment, stable organization and team, insightful thought leadership and information sharing, and continued process improvement and strategy innovation.

Staff and NEPC will recommend committing to a third tranche of the ASP-managed strategy later this year. They are evaluating two opportunities to incrementally improve the strategy. The new commitment will allow SCERS to align the private equity allocation with its 11% target over time.

Credit Fixed Income Deep Dive

George Emerson presented the annual deep dive of the Credit Fixed Income asset class.

Mr. Emerson provided background information on credit fixed income, including its role in the total portfolio. Credit fixed income is represented by lower quality borrowers and has higher expected risk, return, and sensitivity to equity markets than core fixed income. SCERS has a current allocation of 7.1% which is in line with the target weight. Although SCERS's performance has been in line with the asset class index, it has been disappointing in comparison to other asset classes since its inception in 2015.

SCERS invests with Ares and Ashmore in public credit and Arcmont (formerly BlueBay) and Pimco in private credit. Staff plans to focus on credit fixed income in the coming year, including evaluating other private credit strategies and re-underwriting the thesis supporting the asset class.

Adjourn Meeting

Motion: Upon motion by Judith Blinder, seconded by Glen Lee, the Investment Committee voted to adjourn the meeting at 1:11 pm. The motion passed unanimously (3-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, October 28, 2021

The meeting was held virtually.

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

IAC Members Present: Joseph Boateng (Chair), Keith Traverse (Vice Chair), Dwight McRae

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Jeff Burgis and Michelle Gandhi (Adams Street Partners), Kevin Balaoud (Pageant Media), Jim Nelson (Lazard), Tim Morrison (FAS), Lauren Albanese (FinNews), Yonas Seifu (OED), Larry Judd (FAS)

Call to Order

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

Public Comment

There was no public comment.

Minutes

Approved Minutes from the September 30, 2021 Investment Committee.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee approved the minutes from the September 30, 2021 Investment Committee meeting. The motion passed unanimously (4-0).

Private Equity Manager Recommitment – Adams Street Partners (ASP)

(12:01 p.m. - Kimberly Loving signed on to the meeting.)

Jason Malinowski presented the Private Equity Manager recommitment recommendation that included SCERS's partnership with Adams Street Partners (ASP), the ASP-SCERS custom strategy, and proposed strategy changes and recommitment.

Staff 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 that would invest in direct primary funds, co-investment funds, and a

venture capital fund-of-funds. The recommendation is consistent with the Board's adopted strategic asset allocation that includes a 11% target weight to private equity. Staff continues to have high confidence in ASP because of their impressive performance and pace of capital deployment, stable organization and team, insightful thought leadership and continued process improvement.

NEPC concurred with staff's recommendation. ASP is one of a select group of private equity multi-manager firms that are recommended by NEPC. SCERS's last seven years of deploying capital into private equity with Adams Street has gone exceptionally well. Castle Hall also reviewed ASP from an operational perspective and provided the firm with its highest rating of "accept".

Staff is proposing two changes to the third tranche to incrementally improve the strategy. The changes are to remove the dedicated secondaries allocation and reallocate capital to primary funds and co-investments; and shift the vehicle for investing in venture capital from direct primary fund investments to a fund-of-funds. Staff is currently evaluating ASP in comparison to other venture capital fund-of-funds firms.

Jeff Burgis and Michelle Gandhi of ASP presented the annual deep dive of the Private Equity asset class that included portfolio updates of Fund I, II, and the legacy investments; the Fund III proposal; market overview; and answered questions from the committee members.

SCERS hired ASP in September 2014 to build a \$280 million diverse portfolio with primaries, secondaries, co-investments, and direct growth equity companies, as well as to oversee the legacy private equity investments. ASP-SCERS Fund I concluded committing this fund in August 2018. In January 2018, SCERS hired ASP to build a second \$280 million diverse portfolio. ASP began committing Fund II in January 2018 and is 85% committed. Fund II is on track to be fully committed in early 2022.

SCERS has built a successful private equity program through a disciplined investment pace. Since inception, Fund I has a net IRR of 27.1% and Fund II has a net IRR of 41.0%.

ASP recently hired a dedicated ESG lead. ASP incorporates evolving ESG industry standards and key performance indicators. Glen Lee encouraged ASP to be best in class in ESG.

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

Inflation Update

Don Stracke, NEPC, gave an update on inflation, which continues to be impacted by the pandemic. Market participants are forecasting a higher degree of inflation than they did a year ago, although long-term expectations have been fairly stable. Most asset classes exhibit some sensitivity to inflation. Because economic regime changes are disruptive and unpredictable, investors should consider a diversified approach in portfolio construction that balances risks arising from various regimes.

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Glen Lee, the Investment Committee voted to adjourn the meeting at 1:25 p.m. The motion passed unanimously (5-0).



Seattle City Employees' Retirement System

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

Minutes, Thursday, November 18, 2021

The meeting was held virtually.

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

IAC Members Present: Joseph Boateng (Chair), Steve Hill, Cathy Cao, Dwight McRae, Keith Traverse

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

Others Present: Mike Monaco (MMPL), Don Stracke (NEPC), Mike Malchenko (NEPC), Tim Morrison (FAS); Samuel Slade (With.Intelligence), Lauren Albanese (Fin News)

Call to Order

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

Public Comment

There was no public comment.

Minutes

Approved Minutes from the October 28, 2021 Investment Committee.

Motion: Upon motion by Lou Walter, seconded by Sherri Crawford, the Investment Committee approved the minutes from the October 28, 2021 Investment Committee meeting. The motion passed unanimously (6-0).

Quarterly Performance Review – Q3 2021

Mike Malchenko of NEPC reviewed the performance report for the period that ended September 30, 2021.

The portfolio continues to perform well in a post-pandemic environment. Gross performance over the last 30 years is 7.7%, above the assumed rate of return of 7.25%. For the one-year period ending September 30, 2021,

the fund returned 23.3% net of fees, outperforming the benchmark by 1.4% and ranking in the top quartile among its public pension peers. Assets increased from \$3.32 billion one year ago to \$3.93 billion as of September 30, 2021.

Mr. Harvey applauded the decision to move to private equity several years ago given the strong performance the asset class has achieved.

Real Estate Manager Redemption – Heitman American Real Estate Trust

Jason Malinowski and Mengfei Cao provided staff's recommendation to redeem from the Heitman American Real Estate Trust ("HART") in which SCERS has \$73.8 million invested as of September 30, 2021. This recommendation is due to staff and NEPC identifying better opportunities within the US core/core plus real estate manager universe to generate excess performance and complement the remaining real estate allocation. Staff expects to recommend a subsequent manager in the first half of 2022. NEPC concurs with the recommendation.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee recommended that the Board of Administration redeem from the Heitman American Real Estate Trust. The motion passed unanimously (6-0).

Cost Effectiveness and Fee Analysis

George Emerson presented the cost effectiveness and fee analysis which detailed the investment costs incurred across the portfolio and evaluated their cost effectiveness. SCERS's Accounting team works closely with BNY Mellon in tracking direct manager costs including management fees, performance fees and fund expenses.

SCERS has participated in the CEM Benchmarking survey since 2017. The survey provides a comparison of investment costs to other institutional investors. SCERS's investment-related costs for 2020 totaled \$20.2 million (0.66% of fund assets), with the vast majority related to investment manager fees and expenses at \$18.7 million. Staff oversight, custodial and consulting services represented the remaining \$1.5 million. These figures are based on CEM Benchmarking's methodology that excludes performance fees for private market asset classes.

SCERS's fees are modestly lower than a peer group of similarly sized U.S. pension funds. The reasons for this are that SCERS's portfolio is more passively managed and where actively managed there are lower fees, which is offset somewhat by a greater use of fund-of-funds.

SCERS assesses the effectiveness of costs incurred by comparing net-of-fee performance to its Passive Reference Benchmark that represents an investable portfolio available at very low cost. Since 2011, SCERS has outperformed the Passive Reference Benchmark by 0.6% on an annualized basis after accounting for the 0.5% in estimated investment costs incurred annually.

There was a discussion on subscribing to a premium service offered by CEM Benchmark that provides a dashboard with more data and custom peer comparisons. Several IC members expressed support for subscribing to this service.

Adjourn Meeting

Motion: Upon motion by Lou Walter, seconded by Sherri Crawford, the Investment Committee voted to adjourn the meeting at 1:15 p.m. The motion passed unanimously (6-0).