



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).