



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).