



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).