



Seattle City Employees' Retirement System

Board of Administration Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
(206) 386-1293

Minutes, Thursday, June 10, 2021

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

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

SCERS Staff Present: Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, George Emerson, Mengfei Cao, Claire Foster, Ronda Iriarte, Mark Schimizza, Selam Teklemariam

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Tim Morrison (FAS) Tom Mikesell (LEG), John Masterjohn (ARSCE), Francis Albanese

Call to Order

Robert Harvey, Jr., Chair, called the meeting to order at 10:01 am.

Public Comment

There was no public comment.

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the May 13, 2021 Retirement board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$20,156,637.39
Office Payroll	340,092.00*
Admin & Investment Expenses	2,100,697.73
Total Expenses – May 2021	\$22,597,427.12

**Includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – May 2021			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	37	\$138,881.57	\$308,941.22
Withdrawals	17	n/a	\$209,018.88

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (4-0).

Deep Dive – SCERS’s Teams Overview

Paige Alderete, Ronda Iriarte, Claire Foster, Mark Schimizza, and Jason Malinowski presented an overview on the various teams in SCERS. This included: organizational overview, introduction of each SCERS team, team alignment with SCERS’s adopted goals, and initiative alignment with SCERS’s adopted goals.

SCERS consists of the following teams:

- Accounting
- Information Technology (IT)
- Investments
- Member Services

With the addition of business analysts and administrative/executive staff, SCERS has 28 total staff members.

(10:21 a.m. - Lou Walter signed on to the meeting.)

Mr. Harvey commented that SCERS is an efficient operation since staff serve 18,000 customers and manage \$3.7 billion in assets with only 28 employees.

Board Training - Fiduciary Responsibility/Personal Liability and Open Public Meetings Act/City Ethics

Mike Monaco of MMPL presented on Fiduciary Responsibility and Personal Liability and Gary Smith of the City Attorney’s Office presented on the Open Public Meetings Act (OPMA)/City’s Ethics Code.

SCERS assets are held in trust and the trustees are subject to fiduciary responsibility.

The two main responsibilities of a fiduciary are the duty of prudence and the duty of loyalty. The duty of prudence follows the “prudent investor” rule where investments are not looked at in isolation, but as a group. Investments work as an overall system to reduce risk. It is more about process rather than results to protect the interest of the system. The duty of loyalty requires a fiduciary to act “with an eye single to the interest of the participants and beneficiaries” and to not look at any extraneous interests.

Regarding economic, social, and governance (ESG) in investing, SCERS can only consider ESG investment actions that do not adversely affect SCERS’s expected risk-adjusted return as compared to other investments in the same category. This is in accordance with guidelines under ERISA and the law followed by private and public pension plans throughout the country.

(10:50 am – Bobby Humes signed on to the meeting.)

SCERS hires managers to make investments on its behalf. The Board and staff have not been in the purview of selecting individual assets or de-selecting individual assets. It is a very high bar and truly dangerous to move away from the market consensus and all the academic theory and practice over many decades. The US Supreme Court has endorsed the efficient market theory and belief.

Gary Smith presented on the OPMA and briefly covered the City's Ethics Code. Mr. Monaco and his team at MMPL give advice to SCERS for the management of the fund. The City Attorney's Office gives advice on municipal information.

City officials, employees, and city volunteers are covered by the City's Ethics Code. The code prohibits participation on any matter in which there is a conflict of interest.

OPMA applies to the retirement board and can also apply to any committee of SCERS. All meetings of covered bodies must be open to the public, gavel to gavel. A meeting occurs when there is a quorum and can also occur by phone or email.

Public comment is not required by OPMA but is typical of boards. The board can impose reasonable rules of conduct. If public comment is allowed, it is protected under the first amendment.

The current remote meetings are specifically authorized by the governor due to the public health emergency. Requirements for in-person attendance will be reimposed but that does not mean physical attendance of board members. SCERS will be in compliance with the OPMA as long as there is a physical meeting place where the public can attend.

There is no requirement to record meetings, but minutes are required for open session.

Investment Committee Report – May 27, 2021

Jason Malinowski reported on the May 27, 2021 Investment Committee meeting. Agenda items included introduction of the investment team's two new members; Q1 2021 Quarterly Performance Review; a review of the Investment Risk framework; and a deep dive on the Core Fixed Income asset class.

Executive Director Update

Jeff Davis gave an update on the 2021 Trustee Elections for an active member seat. Twenty-four percent of eligible members voted with 72% of the votes going to Sherri Crawford.

Motion: Upon motion by Bobby Humes, seconded by Glen Lee, the Board of Administration ratified the certification of election results as provided by Election Services Co. for the 2021 Board of Administration election for the active member seat; electing Sherri Crawford to the Board of Administration for a three-year term (July 1, 2021-June 30, 2024). The motion passed 5-0-1 with Sherri Crawford abstaining.

Executive Session – Actual or Pending Litigation/Quasi-judicial matter

The Board entered Executive Session at 11:31 a.m. for approximately 20 minutes to discuss actual or pending litigation/quasi-judicial matter. Executive Session ended at 11:49 a.m. and the Board entered into public session.

Motion: Upon motion by Glen Lee, seconded by Bobby Humes, the Board of Administration approved the application of Member No. 34752 for a withdrawal of contributions due to terminal illness, subject to concurrence by the Board's regular medical panel with the

member's qualifications for the benefit based on a review of the member's medical records and consultation with the member's treating physician. The motion passed unanimously (5-0).

Adjourn Meeting

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration voted to adjourn the meeting at 11:53 a.m. The motion passed unanimously (5-0).