



# Seattle City Employees' Retirement System

**Investment Committee Meeting**  
Pacific Building, 720 3<sup>rd</sup> Avenue, Suite 900, Seattle  
(206) 386-1293

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## **Minutes, Thursday, May 30, 2024**

**IC Members Present:** Sherri Crawford (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Dan Strauss, Jamie Carnell, Kimberly Loving

**IAC Members Present:** Keith Traverse, Cathy Cao, Joseph Boateng, Steve Hill

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

**Others Present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Mika Malone (Meketa), Colin Bebee (Meketa), Paola Nealon (Meketa), Rose Dean (NEPC), Daniel Hennessy (NEPC), Thao Nguyen (NEPC), Kevin Balaod (With Intelligence), Darren Millard (With Intelligence), Margaret Belmondo (NEPC), Kellie Kane (NEPC), Brighton Glassman (Markets Group), Sarah Samuels (NEPC), Lindsay Saienni (Fin News), Michael Manning (NEPC), Tim McCusker (NEPC), Andrew Robinson (FAS), Marcie Vidinli (Pugh)

### **Call to Order**

Sherri Crawford, Chair, called the meeting to order at 11:00 am.

### **Public Comment**

There was no public comment.

### **Minutes**

Approved Minutes from the April 25, 2024 Investment Committee.

**Motion:** Upon motion by Maria Coe, seconded by Judith Blinder, the Investment Committee approved the minutes from the April 25, 2024 Investment Committee meeting. The motion passed unanimously (7-0).

### **Investment Consultant Search Update**

Jason Malinowski provided an update on the Investment Consultant search. Seven (7) firms responded to the RFP. Staff have narrowed the field to two finalists, NEPC and Meketa. Staff are confident that either firm can deliver the services required. Both firms are well-resourced, longstanding, and independent.

Each finalist will provide a 40-minute presentation at today's meeting followed by 20 minutes of Q&A with the Investment Committee. The Investment Committee will then deliberate and make a final selection which will be pending until Board approval at the June 13, 2024 meeting. The Investment Advisory Committee members are encouraged to provide their perspective during deliberations. Staff will be available to answer clarifying questions.

### **NEPC Presentation and Q&A**

Rose Dean of NEPC introduced the rest of the proposed core team, Daniel Hennessy and Thao Nguen. Other members of NEPC leadership were present: Michael Manning (Managing Partner), Tim McCusker (Chief Investment Officer), Margaret Belmondo (Public Funds Team Leader), Sarah Samuels (Head of Investment Strategy), and Kellie Kane (Chief Operating Officer).

NEPC provided an overview of their firm and answered questions from committee members. NEPC is fully committed to their clients with no outside distractions, a culture of partnership, and robust resources. NEPC has been SCERS's consultant since 2014. SCERS's portfolio has returned 9.1% and 7.0% annualized for the past 5 and 10 years, respectively, and is in the top quartile of its peers.

Their firm works with different investor types and remains independent to prioritize client interests. Of their 423 clients, 75 are public fund clients with total assets of \$875 billion. Client retention is 83% for clients who have been with NEPC for five or more years.

NEPC reviewed their Investment Framework and their approach to ESG and DEI. Their goal was to have 15% of their Focused Placement List represented by diverse-owned or led managers, which was achieved this year.

Mr. Traverse asked about the evaluation and compensation of consultants and research staff. NEPC stated that they are a partnership with 50 owners of which the largest owner has a 6% stake. For non-partners, they are offered a 401K and profit sharing across the firm. Their benefits are one of the best in the industry. NEPC also pays a bonus to every employee based on a survey sent to clients.

Mr. Boateng asked about their definition of success for clients. NEPC replied that the most important thing is that a client's assets grow at a rate that is higher than the assumed rate of return. NEPC also defines success as a smooth partnership that fulfills the client's needs.

Ms. Blinder asked how they address staff turnover. She also stated that there is room for improvement in the performance reports such as including more client-tailored information rather than general market commentary. NEPC responded that they strategically identified younger talent and made them partners of the firm for stability during the "great resignation" in 2021. Mr. Malinowski added that the performance report was streamlined about eight years ago and should be an ongoing conversation.

Dr. Cao asked what NEPC does if their recommendation differs from staff's opinion and what are the main tools NEPC applies to quantify and manage the risks of the retirement plan. Ms. Dean replied that NEPC and staff have occasional disagreements and that it is healthy to have different opinions and approaches. NEPC evaluates risk from multiple dimensions.

***(There was a break from 12:19 to 12:30 pm)***

### **Meketa Presentation and Q&A**

Mika Malone of Meketa introduced members of the proposed client consulting team, Jonathan Camp and Colin Bebee.

Meketa provided an overview of their firm and answered questions from committee members. Meketa believes they have strong alignment of interests with SCERS. They have no internal institutional products and seek to minimize any conflicts of interest, which allows their clients to trust their research and decisions.

Meketa is employee-owned, and no shareholder owns more than 25%. Meketa has advised defined benefit plans since the inception of the firm 45 years ago. Of their 252 clients, they have over 90 public fund clients. Their low client to consultant ratio means they know their clients and their portfolios well. Meketa's timely and proactive advice has resulted in strong client retention. Meketa utilizes internal committees to formulate investment advice, support practice groups, and to share best ideas with our clients. They integrate DEI practices into all aspects of their business model and investment processes.

Ms. Coe asked about Meketa's climate modeling. Ms. Malone responded that their climate modeling tools consider different potential climate environments and how it would impact portfolio performance.

Ms. Blinder referred to the launch of Meketa Capital that will offer products to retail clients, and asked how that would affect their ability to focus on their institutional investors. Ms. Malone responded that Meketa Capital is a separate business segment that will leverage the same guidance provided to institutions.

Mr. Traverse asked how Meketa's business has evolved in the past five to ten years and what is the vision for the next five to ten years. Ms. Malone responded that the co-CEOs and Board develop seven-year plans. They are halfway through the current plan that was developed after Meketa's merger with PCA. The merger was opportunistic as PCA had worked with some of the largest pension systems and was a smaller organization going through a generational transition. Meketa's current seven-year plan seeks to build on its four firm competencies.

Mr. Boateng asked about their strategic focus and whether it is shifting with the launch of Meketa Capital. Ms. Malone stated that the only way they can offer their private market services to the retail marketplace is because of their 45-year history of working with institutional investors.

Dr. Cao asked what philosophy and tools they utilize to manage risks and how Meketa measures success beyond investment performance. Mr. Bebee responded that there is no single answer for how risk is measured, so they make sure they are aware of all the risks and how processes can be improved going forward. Ms. Malone added that success includes a client's assessment on whether their needs are being met as well as client retention.

### **Investment Consultant Search Deliberation and Selection**

The Investment Committee and Investment Advisory Committee members discussed the two finalists.

Mr. Traverse asked staff to lay out the principal tradeoff between the finalists. Mr. Malinowski replied that there are a lot of similarities between the two firms. In terms of differences, NEPC is a more stable organization who has not engaged in an acquisition or merger in the past and has a very diverse ownership base. Meketa has done a nice job of embedding technology in their processes and offers a best-in-class client portal. Meketa has a bigger research staff, particularly in private markets. Both firms have put forth very strong teams. Staff are impressed with both firms.

Mr. Hoffman asked about Meketa's recent mixed financial performance. Mr. Malinowski responded that Meketa hired a large number of individuals during the great resignation of 2021-2022 because they were expecting greater staff attrition than actually took place. Meketa has been naturally right sizing their expenses since that time, so it is less of a concern going forward.

Ms. Carnell observed that Meketa did not highlight their technological capabilities or represent their commitment to diversity in their presentation. She asked whether there were risks or costs to changing consultants.

Dr. Ross stated that Meketa's technology would be beneficial to staff as it provides transparency and insight into their research of investment managers. NEPC has similar research, but it is less accessible to staff.

Mr. Malinowski stated that both firms have comparable diversity that is more reflected in their overall workforce than leadership. There is a cost to changing consultants as far as onboarding new data and reviewing the existing portfolio, but it is not prohibitive. Mr. Davis added that SCERS has been in a relationship with NEPC for 10 years, but the current consulting team has been in place for just one year.

Ms. Coe asked how the transition had been with the new NEPC consulting team. Mr. Malinowski responded that it was disruptive for three to four months. SCERS had the advantage of having Allan Martin step in before Rose Dean joined NEPC and was onboarded. Ms. Dean has demonstrated her expertise and capabilities in recent months.

Ms. Crawford stated that she has been happy with NEPC and liked the fact that various people from NEPC showed up to present.

Mr. Traverse asked what would cause SCERS to regret changing to Meketa or staying with NEPC. Mr. Malinowski responded that the biggest potential regret would be if there were a change to the consulting team since both firms proposed very strong teams. Rose Dean is a partner with NEPC and Mika Malone is on Meketa's Board, so this risk is mitigated.

Ms. Blinder stated that there is more transparency in Meketa's process. NEPC is harder to get at underlying information they are using. That is a selling point in Meketa's favor, although either would be good choice.

Ms. Crawford asked about how the two finalists scored. Mr. Malinowski responded that NEPC scored slightly higher during the RFP evaluation, but this gap closed after additional due diligence to an effective tie. NEPC and Meketa scored meaningfully higher than the other semi-finalists.

Mr. Hoffman asked about SCERS's performance and whether it had always been in the top quartile. Mr. Malinowski responded that SCERS had generally placed in the bottom decile prior to NEPC.

Ms. Carnell stated that she was not looking to make a change, especially given recent market volatility. She feels that Ms. Dean has found her footing in working with SCERS and that she had a better reaction to NEPC's presentation.

Ms. Crawford said she was on the Board when there was a challenged relationship with the previous consultant. She has been pleased with NEPC. She is leaning towards NEPC but wants to make sure she's not biased, which is why she called on others for feedback.

Ms. Coe stated that she had a better reaction to NEPC's presentation as well.

Ms. Loving said that she has nothing negative to say about Meketa. She was disappointed in the lack of representation from a racial perspective from both groups, although she realizes that the investment industry is challenged in this regard.

**Motion:** Upon motion by Sherri Crawford, seconded by Kimberly Loving, the Investment Committee recommended that the Board of Administration contract with NEPC LLC as the general investment consultant effective June 30, 2024, for a five-year term, pending satisfactory legal review. The motion passed unanimously (6-0).

### **Adjourn Meeting**

**Motion:** Upon motion by Maria Coe, seconded by Jamie Carnell, the Investment Committee voted to adjourn the meeting at 2:06 PM. The motion passed unanimously (6-0).