



Seattle Retirement

Seattle City Employees' Retirement System

Investment Committee Meeting
Pacific Building, 720 3rd Avenue, Suite 900, Seattle
(206) 386-1293

Minutes, Thursday, August 28, 2025

IC Members Present: Sherri Crawford (Chair), Judith Blinder, Maria Coe, Joseph Hoffman, Kimberly Loving

IAC Members Present: Keith Traverse (Chair), Cathy Cao, Steve Hill

SCERS Staff Present: Jeff Davis, Jason Malinowski, Paige Alderete, Leola Ross, George Emerson, Nina Melencio, Mark Schimizzze, William Kee

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Rose Dean (NEPC), Thao Nguyen (NEPC), Daniel Hennessy (NEPC), Joe Ebisa (With.Intelligence), Bill Schrier (ARSCE), Russell Simon (Hamilton Lane)

Call to Order

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

Public Comment

Bill Schrier, of ARSCE, asked about the availability of meeting packets.

Minutes

Approved Minutes from the July 31, 2025 Investment Committee Meeting.

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Investment Committee approved the minutes from the July 31, 2025 Investment Committee Meeting. The motion passed unanimously (5-0).

Investment Risk Annual Review

Jason Malinowski presented the annual Investment Risk Review and provided background and context; reintroduced investment risk measures; identified key takeaways; and discussed liquidity risk. The review has been conducted annually since 2018 and was initially based on the recommendation of the Investment Advisory Committee.

Staff onboarded MSCI's Total Plan Manager, a portfolio analytics and risk platform, during 2024-2025. The platform has begun to streamline and improve staff's portfolio and risk monitoring. There are potential opportunities for improvement depending on system and data enhancements.

Mr. Malinowski reviewed different perspectives on investment risk, including plan risk, portfolio risk and benchmark relative risk. Plan risk relates to the mismatch of the assets as represented by the investment portfolio and system liabilities and is of critical importance to SCERS's mission. Portfolio risk is the conventional understanding of risk where the investment portfolio experiences poor performance. Benchmark relative risk relates to the mismatch of the investment portfolio and SCERS's benchmarks. Common risk measures include volatility, equity beta and tracking error.

Key takeaways of the annual investment risk review were provided. There is a 67% probability of meeting the 6.75% actuarial rate of return over the next 30 years based on NEPC's capital market assumptions. As compared to the current funded status of 76%, there is a 25% probability that funded status could be lower than 75% in 10 years and a 5% probability that it could be lower than 59%. The portfolio is expected to perform poorly in environments where the equity market performs poorly, as the equity market is the main determinant of portfolio performance. With that said, the portfolio is highly diversified by asset class, sector, geography, company, investment manager and strategy.

Mr. Malinowski presented the special topic of liquidity risk to address a recommendation by the Investment Advisory Committee. SCERS requires cash to pay benefits payments and maintain the investment strategy. At the same time, SCERS invests in private market asset classes that are illiquid and cannot be readily sold for cash. Private markets represent about 30% of portfolio. Staff conduct a liquidity stress test annually, which has consistently found that SCERS has low liquidity risk and ample access to cash. 62% of the current portfolio is very liquid and an additional 10% is somewhat liquid. If there were a dramatic market stress unfolding over three years, SCERS is still expected to have 55% allocated to liquid investments. In such a scenario, SCERS would be expected to sell fixed income investments to pay benefit payments and capital calls.

Q2 2025 Quarterly Performance Report – NEPC

Dan Hennessy of NEPC reviewed SCERS's investment performance for the period that ended June 30, 2025.

The fund returned 11.0% for the 1-year period ending June 30, 2025, and assets increased to \$4.6 billion. Equities were positive over the period with both US and international stocks posting strong returns. Most of SCERS's asset classes have outperformed their benchmarks.

As of June 30, 2025, the estimated actuarial funded status is 76.5%. The funded status from a market perspective, which reflects the market value of assets and revalues the liabilities based on current capital market assumptions is 85.8%.

Adjourn Meeting

<u>Motion:</u>	Upon motion by <u>Sherri Crawford</u> , seconded by <u>Judith Blinder</u> , the Investment Committee voted to adjourn the meeting at 12:38 pm. The motion passed unanimously (5-0).
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