



Seattle City Employees' Retirement System

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

Minutes, Thursday, February 29, 2024

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

IAC Members Present: Keith Traverse (Chair), Joseph Boateng, Cathy Cao, Steve Hill, Dwight McRae

SCERS Staff Present: Jeff Davis, Jason Malinowski, Paige Alderete, Nina Melencio, Mark Schimizza

Others Present: Gavin Parr (MMPL), Gary Smith (City Attorney's Office), Joe Ebisa (WithIntelligence), Rose Dean (NEPC), Dan Hennessy (NEPC), Andrew Robinson (FAS), Kate Hoffman (LEG), Lindsay Saienni (FinNews)

Call to Order

Sherri Crawford, Chair, called the meeting to order at 12:00 pm.

Public Comment

There was no public comment.

Minutes

Approved Minutes from the January 25, 2024 Investment Committee.

Motion: Upon motion by Judith Blinder, seconded by Jamie Carnell, the Investment Committee approved the minutes from the January 25, 2024 Investment Committee meeting. The motion passed unanimously (6-0).

Jason Malinowski provided a follow up to items discussed at the January 2024 Investment Committee meeting. SCERS ended up receiving the full \$30 million commitment that the Investment Committee had approved despite the fund being oversubscribed. Global Infrastructure Partners has extended the fundraising period for GIP V to the end of 2024, which affords staff more time to evaluate the firm's pending acquisition by BlackRock.

Investment Advisory Committee Annual Report

Keith Traverse, Joseph Boateng, Cathy Cao, Steve Hill, and Dwight McRae of the Investment Advisory Committee (IAC) attended the February 29, 2024 Investment Committee meeting. Mr. Traverse, chair of the IAC, presented the 2023 IAC Annual Report which included: major development for SCERS in 2023; fund performance as of Q3 2023; IAC's 2023 activities; strategic guidance; and IAC's recommendations for 2024.

The IAC offers strategic guidance that is intended to endure over the long-term. The guidance is evergreen which means that the work will never be complete. The IAC feels that SCERS is currently operating consistent with this guidance. Mr. Traverse discussed the guidance in the report which included: (1) commitment to financial sustainability; (2) focus on fee effectiveness; (3) align investment beliefs with processes and resources; and (4) support continual learning for the board.

The IAC's recommendations for 2024 fall under the following priority areas:

- Longevity Risk
- Transition Management Services
- Review of Operational Aspects of Managing the Portfolio and SCERS's Investment Operations Model
- Manage the denominator effect of investing in private assets with lagged valuations.

There was discussion on managing the denominator effect. The denominator effect stems from the lagged valuations of private market investments which can create benchmarking challenges. Mr. Boateng emphasized that it is important to not overreact to big performance differences between public markets and private markets. SCERS should continue to focus on the long-term, prioritize vintage year diversification and pay attention to liquidity which is given up when investing in private markets.

Mr. Malinowski noted that Jeff Davis met with the IAC prior to today's meeting regarding the staff response to the IAC Annual Report. The staff response is included in today's meeting packet. The IAC's strategic guidance and recommendations continue to be helpful for SCERS in planning and prioritization.

Quarterly Performance Review – Q4 2023

Rose Dean, of NEPC, reviewed SCERS's investment performance for the period that ended December 31, 2023.

SCERS returned 11.5% net-of-fees for 2023, which was in-line with the strategic policy benchmark and underperformed the passive reference benchmark. Asset increased from \$3.64 billion to \$3.99 billion over the last year. The funded status is estimated at 77.0% on an actuarial basis, and 81.2% on a market basis that revalues the liability based on current capital market assumptions.

Investment Outlook and Capital Market Assumptions – NEPC

Ms. Dean reported on NEPC's 2024 Investment Outlook and Capital Market Assumptions and answered questions from the committee members.

Ms. Dean reviewed NEPC's building block framework for developing asset class assumptions. The 10-year expected return for the investment portfolio decreased from 6.7% to 6.3% over 2023 due to strong public equity performance. The 30-year expected return increased slightly from 7.5% to 7.6%.

On an annual basis, NEPC identifies the market themes that they believe will impact the investment landscape over the next 12 months. These themes represent essential factors for investors and are likely to exert significant influence on market pricing and investor sentiment. NEPC's key market themes entering 2024 are cost of capital, Magnificent Seven, US fiscal debt, artificial intelligence, and geopolitics. Ms. Dean briefly provided a description and potential outcomes of each theme.

Adjourn Meeting

Motion: Upon motion by Maria Coe, seconded by Joseph Hoffman, the Investment Committee voted to adjourn the meeting at 1:04 pm. The motion passed unanimously (6-0).