



Seattle Retirement

Seattle City Employees' Retirement System

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

Special Meeting of the Investment Committee Notes, Thursday, April 24, 2025, 12:00 pm to 1:30 pm

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

SCERS Staff Present: Jeff Davis, Jason Malinowski, Paige Alderete, Leola Ross, Mengfei Cao, Sean Hayes, Nina Melencio, George Emerson

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Rose Dean (NEPC), Joe Ebisa (With.Intelligence), Thao Nguyen (NEPC), Dan Hennessy (NEPC), Dwight McRae (IAC), Lindsay Saienni (Fin News)

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 March 27, 2025 Investment Committee.

Motion: Upon motion by Sherri Crawford, seconded by Maria Coe, the Investment Committee approved the minutes from the March 27, 2025 Investment Committee meeting. The motion passed unanimously (4-0).

NEPC Market Outlook

Leola Ross introduced Sean Hayes, the new Investment Research Intern. Mr. Hayes is a graduate student at the University of Washington pursuing a Master of Science in computational finance and risk management.

Dan Hennessy of NEPC provided information on recent market volatility and answered questions from the committee members. Recession risks are high should the Trump Administration's announced tariffs on imported goods remain, although NEPC expects them to be negotiated lower. The effective tariff rate of 20% would be the

highest level since the early 19th century. US equities have fallen materially. Volatility in the markets will most likely continue. NEPC recommends investors to stay the course and not pull away from markets when panic takes hold. They further recommend that investors rebalance.

Mr. Malinowski told the committee that SCERS rebalances monthly. As of this morning, SCERS's portfolio is estimated to have a return of -1% to -2% year-to-date, as international equities have performed well.

Public Equity Deep Dive

Mengfei Cao and Leola Ross provided a deep dive discussion on the Public Equity asset class including a reintroduction to the asset class, a discussion of the market environment, and a review of the portfolio role, size, strategy, investment managers, and performance.

The primary role of Public Equity in the portfolio is to access global growth and drive the return of SCERS's investment portfolio, which is demonstrated by its large current and target allocations of 47.1% and 46%, respectively. The total return of the Public Equity asset class has been very strong over the short and long-term with performance closely tracking the index.

Ms. Coe had a question about proxy voting, as a follow-up to the ESG update in March. Dr. Ross responded that SCERS's proxy voting provider made a policy change as it relates to diversity, equity and inclusion. Staff wrote a letter to them highlighting their concerns and received a response yesterday. Staff will return to a future meeting with an update.

During the previous 12 months, staff have evaluated global equity managers in search of active strategies with strong excess-return potential over a market cycle; continued to focus on identifying and pursuing opportunities to achieve a more factor-neutral portfolio; and reviewed sub-asset class benchmarks.

Staff recommended changing the U.S. Public Equity benchmark from the Russell 3000 Index to the MSCI USA Investable Market Index. The two indices both cover U.S. all-cap public equity, have the same weighting method and have similar historical performance. This action will align the U.S. Public Equity benchmark with the Public Equity asset class benchmark, which is the MSCI All Country World Investable Market Index. Staff will work with the US Public equity managers to change their strategy benchmarks and allocations. NEPC concurred with staff's recommendation.

Motion: Upon motion by Sherry Crawford, seconded by Judith Blinder, the Investment Committee recommended that the Board of Administration change the U.S. Public Equity benchmark from the Russell 3000 Index to the MSCI USA Investable Market Index effective July 1, 2025. The motion passed unanimously (4-0).

Ms. Cao reported on the "Magnificent 7" which is a term coined by the investment community in 2023 to describe seven technology-related US mega cap companies that dominate in their respective industries. These companies include Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia, and Tesla.

The Magnificent 7 stocks trade at high valuations given an expectation of significant earnings growth. SCERS has a similar weight to the Magnificent 7 as the Public Equity benchmark. Staff support maintaining the current, largely passive, allocation to benefit from the built-in diversification of owning the market.

Adjourn Meeting

Motion: Upon motion by Sherry Crawford, seconded by Maria Coe, the Investment Committee voted to adjourn the meeting at 1:28 pm. The motion passed unanimously (4-0).