



Seattle Retirement

Seattle City Employees' Retirement System

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

Minutes, Thursday, March 13, 2025

Board Members Present: Dan Strauss (Chair), Judith Blinder, Maria Coe, Sherri Crawford, Joseph Hoffman, Jamie Carnell

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Bill Schrier (ARSCE), Elizabeth Paschke (ARSCE), Kevin Balaod (With. Intelligence)

Call to Order

Sherri Crawford called the meeting to order at 10:05 am.

(10:06 am - Dan Strauss arrived at the meeting.)

Public Comment

Bill Schrier of ARSCE provided public comment. Mr. Schrier thanked Jeff Davis and Paige Alderete for attending ARSCE's quarterly luncheon and providing information on the COLA. Mr. Schrier is editor of ARSCE's newsletter and has interviewed Judith Blinder and Mr. Davis. He would like to invite other trustees to contribute to the newsletter.

Administrative Consent Agenda

Provided in the Retirement board Packet were the minutes from the February 13, 2025 Retirement Board regular meeting, ratification of Retired Payroll, office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$23,929,094.58
Office Payroll*	465,525.68
Admin Expenses	454,078.62
Investment Expenses	573,407.46
Total Expenses – February 2025	\$23,929,094.58

*Includes estimated benefit costs

Retirements, Withdrawals, Other Payouts – February 2025			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	25	\$60,672.49	\$831,170.87
Withdrawals	24	n/a	\$1,040,503.65

Motion: Upon motion by Dan Strauss, seconded by Sherri Crawford, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (6-0).

ESG Semi-Annual Report

Mr. Davis stated that this ESG (Environmental, Social & Governance) report will focus on Diversity, Equity & Inclusion (DEI). Staff briefed Kimberly Loving in February and gave her a preview of today's presentation. Unfortunately, Ms. Loving is unable to join us for today's meeting. She has passed along her comments to Ms. Crawford.

Jason Malinowski delivered the report. SCERS believes that diverse, equitable, and inclusive organizations make better decisions, contributing to improved company and investment manager performance. SCERS incorporates DEI considerations into the investment process for the sole purpose of improving upon our financial mission. SCERS established a DEI positive action strategy in 2022 that consists of company voting and engaging, and manager research.

While company boards have become increasingly diverse over time, there have been several recent negative developments. For example, the 5th US Circuit Court of Appeals ruled that Nasdaq could not impose rules seeking to increase diversity of corporate boards listed on its exchange. Many US companies have also announced scaling back their DEI efforts due to the evolving US regulatory and legal environment.

SCERS, as a public company shareholder, emphasizes DEI in electing board directors and voting on shareholder or management resolutions. SCERS relies on a proxy voting policy that is offered by ISS. ISS's recommendations under these guidelines had supported improved board diversity, reduced workforce pay gaps and other DEI-related activities. ISS announced on February 11th that it would no longer consider DEI factors when making vote recommendations for US Board Directors. Staff is concerned about this development. Leola and Kimberly met with them earlier this week at the Council of Institutional Investors' conference and voiced our displeasure with their change. Staff is currently considering next steps.

SCERS incorporates DEI considerations in each step of the manager research process, including sourcing, due diligence and monitoring. Investment managers are selected from a broad and qualified universe with NEPC serving as the primary sourcing channel. When the investment consultant RFP was conducted last year, a section of the questionnaire asked about how the investment consultant incorporates DEI-related considerations in their manager research process.

SCERS recently conducted an inaugural survey for SCERS-invested managers on gender and racial diversity and compared results with the broader investment management industry. The inaugural survey serves as an important baseline to evaluate future trends. Most SCERS-invested managers have greater gender and racial diversity than the median investment manager, although there is less diversity than the US labor force. Staff is aware of the few managers with less diverse teams and will continue to engage with them.

Ms. Crawford shared a statement from Ms. Loving. As the board continues integrating ESG risks and opportunities into its investment process, Ms. Loving encouraged the board to continue enhancing its ESG framework by keeping abreast of emerging ESG trends and adapting its strategies to meet evolving standards and stakeholder expectations. As stewards of the fund, the SCERS's board is responsible for balancing financially sound investments with ethical and social responsibility. The board's positive action strategy prioritizes climate change, diversity, equity, and inclusion to improve our financial mission. Ms. Loving trusts that the Board will continue to

think strategically about integrating these elements into its broader investment approach, ensuring that SCERS remains a leader in responsible investing.

Leola Ross reviewed recent staff activity.

Mike Monaco reported on an ESG-related case where American Airlines was found by a U.S. federal district judge to have breached its fiduciary duty of loyalty to its 401(k) participants by permitting investments in BlackRock-managed funds while maintaining a conflicted corporate relationship with BlackRock. Mr. Monaco concluded that the facts of this case are highly unique and unlikely to apply to SCERS who cannot have the same conflicts that were present in the case.

Investment Committee Report – February 27, 2025

Mr. Malinowski reported on the February 27, 2025 Investment Committee meeting. The committee members were joined by the Investment Advisory Committee (IAC). The IAC shared their annual report for 2024, which included strategic guidance and recommendations for 2025.

NEPC reviewed the portfolio's performance through December 31, 2024. For the one-year period, the fund returned 8.7% net of fees. Staff gave their annual presentation looking back at activity from the prior year and what the team is planning for 2025.

Administrative Committee Report – February 27, 2025

Paige Alderete presented the Administrative Committee report for February 27, 2025.

The committee reviewed the Board's self-evaluation timeline and the survey questions. They also reviewed the Executive Director evaluation timeline. All board members received a request to complete the Executive Director survey.

The Committee approved the reaffirmation of the Conflicts of Interest policy.

Motion: Upon motion by Dan Strauss, seconded by Judith Blinder, the Board of Administration accepted the Administrative Committee's recommendation to approve the reaffirmed Conflicts of Interest Policy. The motion passed unanimously (6-0),

Executive Director Update

Jeff Davis acknowledged the passing of long-time board member Lou Walter who served on the SCERS Board for 25 years.

Mr. Davis reviewed upcoming agenda items in future meetings. At the March Investment Committee meeting, the staff will do an Infrastructure Deep Dive and have an investment manager recommendation. At the March Administrative Committee, the 2024 Board Self-evaluation survey will be finalized, and the Credit Interest Policy will be reviewed. At the April Board of Administration meeting, staff will give an update on office space and there will be a motion on the Credit Interest Policy.

The Board had approved entering final negotiations on office space in 901 Fifth but, as Mr. Davis communicated in an email to the Board, the deal fell through. Staff are now looking at two other options, both close to Seattle Municipal Tower. Staff will discuss the options with the Board in April during an Executive Session.

The candidacy period for Trustee Elections will be April 10, 2025 through April 24, 2025. There is a notice on the website as well as the annual active member statements. An ad was also placed in the Daily Journal of Commerce.

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There was nothing for the good of the order.

Adjourn Meeting

The meeting was adjourned at 11:26 am.