



# Seattle City Employees' Retirement System

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

---

## **Minutes, Thursday, September 28, 2023**

**IC Members Present:** Judith Blinder (Chair), Maria Coe, Joseph Hoffman

**IAC Members Present:** Dwight McRae

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

**Others Present:** Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Rose Dean (NEPC), Thao Nguyen (NEPC), Andrew Robinson (FAS), Joe Ebisa (With.Intelligence), Lindsay Saienni (Fin News), Mike Barela (Voya Investment Management), Sabrina Holland (Monarch), Stacey Maman (Monarch), Chris Santana (Monarch), Elana Mizrahi (Monarch)

### **Call to Order**

Judith Blinder, Chair, called the meeting to order at 12:00 pm.

### **Public Comment**

There was no public comment.

### **Minutes**

Approved Minutes from the August 31, 2023 Investment Committee.

**Motion:** Upon motion by Maria Coe, seconded by Joseph Hoffman, the Investment Committee approved the minutes from the August 31, 2023 Investment Committee meeting. The motion passed unanimously (3-0).

### **Credit Fixed Income Deep Dive**

Jason Malinowski stated that staff will be presenting two deep dives and recommending a new manager within the Credit Fixed Income asset class, Monarch Capital Partners. This is the first new manager recommendation since Ms. Coe and Mr. Hoffman joined the Board. New managers are invited to speak after staff and NEPC present their recommendation. Representatives from Monarch will be at today's meeting to review their strategy and answer questions from the committee.

George Emerson presented the annual deep dive of the Credit Fixed Income asset class and provided background information, including its role in the total portfolio and its attributes.

SCERS has an allocation of 7% to Credit Fixed Income as of June 30, 2023 which is in line with the target weight. SCERS's Credit Fixed Income portfolio has underperformed expectations, particularly tradeable credit, although the portfolio has matched the asset class index for the 3- and 5-year periods.

Over the last year, staff engaged in a project re-underwriting the Credit Fixed Income asset class, which led to several recommendations. The emerging market debt allocation was transitioned in 2023 from a blend of local and external currency debt to an external currency-only strategy. Ashmore was also replaced with PIMCO as the emerging market debt manager. Staff and NEPC are also proposing, as part of the asset-liability study, changing the intra-asset class target weights of tradeable corporate credit from 40% to 20%, private credit from 40% to 60%, and maintaining the 20% emerging market debt target weight.

Rose Dean, NEPC, introduced opportunistic credit which is a higher risk and higher returning strategy within private credit. Opportunistic credit seeks to focus on the "off the run" part of the market which is often less competitive with fewer participants.

### **Credit Manager Recommendation – Monarch Capital Partners VI**

Mr. Emerson recommended a commitment of up to \$30 million to Monarch Capital Partners VI LP (MCP VI), an opportunistic credit strategy. The funding will come from redeeming partially the Ares Institutional Credit Fund, the current placeholder for unallocated private credit. Staff provided an overview and update on Monarch's organization, team, strategy, and reviewed the investment and operational rating matrices.

NEPC concurred with this recommendation and has selected MCP VI as a preferred strategy on their Focused Placement List (FPL) strategy with a top rating of 1.

Chris Santana and Elana Mizrahi of Monarch Capital Partners provided background information on the firm and strategy and answered questions from the committee members.

Staff mentioned that there is some uncertainty about the final commitment amount to Monarch, as it will depend on the asset-liability study and final strategic asset allocation. The motion allows for a commitment of up to \$30 million to provide flexibility.

**Motion:** Upon motion by Joseph Hoffman, seconded by Maria Coe, the Investment Committee recommended that the Board of Administration commit up to \$30 million to Monarch Capital Partners VI LP, pending satisfactory legal review. The motion passed unanimously (3-0).

### **Real Estate Deep Dive**

Mengfei Cao and Jason Malinowski reintroduced the Real Estate asset class, discussed the market environment, and reviewed SCERS's Real Estate allocation and activity.

SCERS's allocation to Real Estate is currently 12.1%, which is in line with the 12% target weight. The allocation had increased meaningfully in 2022 due to underperformance across public markets, strong real estate performance, and capital call activity. Real Estate performance has since turned negative, which is expected to continue for the next several quarters as property valuations are impacted by higher interest rates. SCERS has outperformed the asset class index due primarily to the non-core allocation. The real estate market is in a state of flux with transaction volume down significantly.

SCERS's real estate allocation is transitioning from predominantly US core to diversified by strategy and geography. This multi-year transition is about halfway complete with the objective of improving risk-adjusted return. During the last 12 months, staff conducted a comprehensive search for a Europe non-core strategy in collaboration with NEPC that included existing and prospective managers. Staff will be recommending a Europe non-core strategy at the October Investment Committee meeting. Staff also performed a comprehensive review of the Europe core real estate manager universe in collaboration with NEPC that led to a preference for newer funds without legacy assets. Staff is completing due diligence of the Europe core/core plus manager universe with a planned recommendation in 2024 that would fully globalize the core real estate allocation.

### **Adjourn Meeting**

**Motion:** Upon motion by Judith Blinder, seconded by Maria Coe, the Investment Committee voted to adjourn the meeting at 2:03 pm. The motion passed unanimously (3-0).