



# Seattle City Employees' Retirement System

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

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### **Minutes, Thursday, October 26, 2023**

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

**IAC Members Present:** Keith Traverse (Chair), Joseph Boateng, Dwight McRae

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

**Others Present:** Mike Monaco (MMPL), Rose Dean (NEPC), Thao Nguyen (NEPC), Andrew Robinson (FAS), Joe Ebisa (With.Intelligence), Sharone BenEzra (Angelo Gordon), Tom Rowley (Angelo Gordon), Ronan O'Brien (Fin News), Catarina Moura (Reorg.com), Angus Tiffin (With.Intelligence), Justin Mitchell (FundFire), "Alex", Patrick Temple West

#### **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 September 28, 2023 Investment Committee.

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| <b>Motion:</b> | Upon motion by <u>Jamie Carnell</u> , seconded by <u>Judith Blinder</u> , the Investment Committee approved the minutes from the September 28, 2023 Investment Committee meeting. The motion passed unanimously (5-0). |
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#### **Strategic Asset Allocation Final Recommendation**

Jason Malinowski and Rose Dean, of NEPC, reviewed staff and NEPC's joint final recommendation for the Strategic Asset Allocation and answered questions from committee members. There are modest changes within the fixed income area as compared to the preliminary recommendation discussed in August.

The final recommendation reflects the following changes from the current strategic asset allocation:

- Decrease the allocation to Public Equity from 48% to 46%
- Decrease the allocation to Core Fixed Income from 18% to 14%
- Add an allocation to Long-Term Fixed Income at 5%
- Increase the allocation to Infrastructure from 4% to 5%

The final recommendation results in a similar expected return, modest decrease in asset volatility and funded status volatility, and a slight increase in illiquidity. The portfolio is expected to be more aligned with SCERS's liabilities in part due to adding the new asset class of long-term fixed income.

### **Investment Policy Update**

Jason Malinowski presented the revised Investment Policy which would be effective January 1, 2024 and answered questions from committee members. The revised policy reflects incremental edits to the existing policy and coincides with completion of the asset-liability study.

Mr. Malinowski reviewed the purpose and background of the Investment Policy as well as proposed edits to the policy. These edits include added or updated references to SCERS's liabilities to reflect their importance to performance/risk assessment and investment strategy; adding Long-Term Fixed Income as a permissible asset class; updating ESG-related items to reflect the latest ESG Policy; and clarifying select asset class definitions and sectors.

There was discussion about the proposed benchmark for the Long-Term Fixed Income asset class and how it is based on the term and inflation sensitivity of SCERS's liabilities. Staff will bring a motion to the November Investment Committee meeting to approve the policy.

### **Real Estate Manager Recommitment – Brookfield Strategic Real Estate Partners V**

Staff recommended a commitment of up to \$30 million to Brookfield Strategic Real Estate Partners V ("BSREP V" or "Fund"), a global and sector diversified non-core real estate strategy. BSREP V is managed by Brookfield Asset Management. This recommendation is consistent with the Board's adopted strategic asset allocation that includes a 12% target weight to real estate, of which 30% is intended to be non-core real estate. BSREP V would be SCERS's fourth fund investment in a Brookfield real estate strategy.

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

Mengfei Cao summarized the recommendation and reviewed the due diligence process.

**Motion:** Upon motion by Maria Coe, seconded by Joseph Hoffman, the Investment Committee recommended that the Board of Administration commit up to \$30 million to Brookfield Strategic Real Estate Partners V, pending satisfactory legal review. The motion passed unanimously (5-0).

### **Real Estate Manager Recommendation – AG Europe Realty Fund IV**

Staff recommended a \$20 million commitment to AG Europe Realty Fund IV ("AG Europe IV" or "Fund"), a European non-core real estate strategy. AG Europe IV is managed by Angelo, Gordon & Co., L.P. ("Angelo Gordon"). AG Europe IV would be SCERS's third fund investment in an Angelo Gordon real estate strategy. SCERS had committed \$15 million to AG Asia Realty Fund IV and \$20 million to AG Asia Realty Fund V.

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

Jason Malinowski reviewed the due diligence process and Ms. Cao reviewed the organization, strategy and rating matrices for key investment and operational factors.

There was a discussion on Angelo Gordon's recent acquisition by TPG and TPG's existing real estate platform. Staff is comfortable that Angelo Gordon's real estate investment team will be properly incentivized to stay with the firm at least in the medium-term, although there is a longer-term risk that will need to be monitored. Mr. Malinowski attended the Angelo Gordon annual meeting which the CEO of TPG attended.

Sharone BenEzra and Tom Rowley of Angelo Gordon gave a presentation that highlighted the organization, strategy and sector outlook. The combined firm with TPG will deliver significant benefits of scale, diversification, and expanded opportunity for their clients. There will be no change in how Angelo Gordon's funds are managed.

**Motion:** Upon motion by Judith Blinder, seconded by Maria Coe, the Investment Committee recommended that the Board of Administration commit up to \$20 million to AG Europe Realty Fund IV, pending satisfactory legal review. The motion passed unanimously (5-0).

### **Adjourn Meeting**

Ms. Crawford shared with the committee that she had just returned from the NCPERS Fall Conference and stated that attending the conference was a great reminder of how far SCERS has come. It was good to sit there and listen to other entities and feel good about where we are with our organizational structure, investment team, talented staff, great advisory committee and board. Ms. Crawford commended everyone for their work.

**Motion:** Upon motion by Jamie Carnell, seconded by Judith Blinder, the Investment Committee voted to adjourn the meeting at 1:54 pm. The motion passed unanimously (5-0).