



# 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, September 30, 2021

**This meeting was held virtually.**

IC Members Present: Glen Lee (Chair), Judith Blinder, Kimberly Loving

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

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

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Don Stracke (NEPC), Michelle Gandhi (ASP), Greta Nolan (ASP), Lauren Albanese (FIN News)

### **Call to Order**

Glen Lee, Chair, called the meeting to order at 12:00 pm.

### **Public Comment**

There was no public comment.

### **Minutes**

Approved Minutes from the August 26, 2021 Investment Committee.

**Motion:** Upon motion by Judith Blinder, seconded by Glen Lee, the Investment Committee approved the minutes from the August 26, 2021 Investment Committee meeting. The motion passed unanimously (3-0).

### **Private Equity Deep Dive**

Jason Malinowski presented the annual deep dive of the Private Equity asset class that included its portfolio role, size, strategy, underlying investment managers, and performance.

Private equity is a critical return driver of SCERS's investment portfolio and has the highest expected return of any asset class although it is characterized by high volatility and sensitivity to economic growth, high fees, and low liquidity. SCERS has a current and target allocation of 12.2% and 11%, respectively.

Asset class performance has been very strong over the short and medium-term. SCERS's net return has been 70.2% for the last year and 21.7% annualized for the last five years as of March 31, 2021. SCERS has outperformed the private equity and public equity indices.

SCERS has partnered with Adams Street Partners (ASP) since 2014. ASP runs a customized multi-manager strategy for SCERS that invests in private equity funds. Staff and NEPC continue to have high confidence in ASP due to their impressive performance and pace of capital deployment, stable organization and team, insightful thought leadership and information sharing, and continued process improvement and strategy innovation.

Staff and NEPC will recommend committing to a third tranche of the ASP-managed strategy later this year. They are evaluating two opportunities to incrementally improve the strategy. The new commitment will allow SCERS to align the private equity allocation with its 11% target over time.

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

George Emerson presented the annual deep dive of the Credit Fixed Income asset class.

Mr. Emerson provided background information on credit fixed income, including its role in the total portfolio. Credit fixed income is represented by lower quality borrowers and has higher expected risk, return, and sensitivity to equity markets than core fixed income. SCERS has a current allocation of 7.1% which is in line with the target weight. Although SCERS's performance has been in line with the asset class index, it has been disappointing in comparison to other asset classes since its inception in 2015.

SCERS invests with Ares and Ashmore in public credit and Arcmont (formerly BlueBay) and Pimco in private credit. Staff plans to focus on credit fixed income in the coming year, including evaluating other private credit strategies and re-underwriting the thesis supporting the asset class.

### **Adjourn Meeting**

**Motion:** Upon motion by Judith Blinder, seconded by Glen Lee, the Investment Committee voted to adjourn the meeting at 1:11 pm. The motion passed unanimously (3-0).