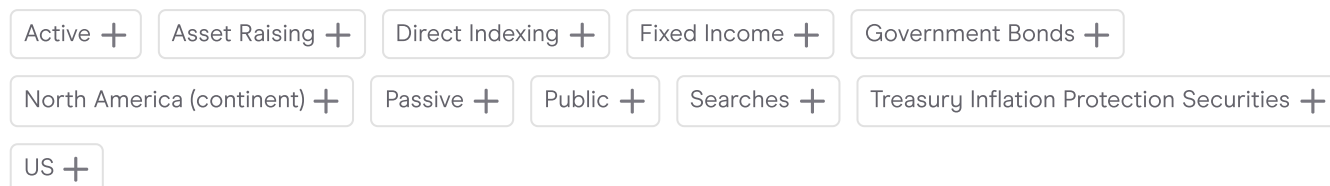


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## Seattle may intro long-dated FI sleeve

\$3.8bn system considering \$230m allocation for new strats

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The Seattle City Employees Retirement System (SCERS) may add a new long-dated fixed income portfolio, opening up opportunities for new managers.

Seattle is considering a 6% or \$230m allocation to long-dated bonds. Staff and NEPC plan to make a final recommendation later this month.

“Long-dated fixed income has attractive risk properties, when considering SCERS’ long-lived liabilities, and its expected return has really increased materially over the last couple of years,” said CIO Jason Malinowski at a recent committee meeting.

If a long-dated allocation is approved, the \$3.8bn system would first assess the suitability of incumbent managers to implement the mandate – if the right fit is not found, options will be sought further afield.

Seattle intends to build a simple long-dated portfolio, focusing on long Treasuries and TIPS with a bias for index, passive and quasi-passive strategies, With Intelligence understands.

“We are making modest investments into long-dated fixed income and will be paying attention to any potential additional interest rate volatility that may be driving the performance of this allocation,” Rose Dean, senior consultant at NEPC, said at the meeting.

A reduction in the allocation to core fixed income (down from 18% or \$693m to 12% or \$462m) would facilitate the new portfolio.

The system currently retains two core fixed income managers, PIMCO and Pugh Capital Management.

### Manager selection

When sourcing new managers, the allocator focuses on fundamentals such as alignment, value for fees and team stability.

It also considers ESG and team diversity in its decision-making. Previously, Seattle has been tipped away from managers lacking in those attributes.

Last year, the allocator updated its ESG policy to integrate financially material ESG factors as well as action and advocacy strategies for climate change and DEI.

The system will next meet on September 28.

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