



August 8, 2013

Update from Councilmember Tim Burgess, Seattle City Employees' Retirement Board Chair

I'm writing this post as Chair of the Seattle City Employees' Retirement System (SCERS) Board of Administration with an update on Board actions designed to strengthen the System and protect your retirement benefits.

As a Board, our primary responsibility is to make certain the retirement System is managed efficiently and effectively. This means ensuring your benefits are calculated correctly, your personal contributions and those of the City are invested wisely, and a defined benefit will be available for your retirement and that of future generations of City employees.

Last August, the Board asked the City Auditor to evaluate work flow processes and member benefit calculations at SCERS. The Auditor's findings and recommendations were presented to the Board earlier today. You can read the Auditor's report [here](#). The SCERS staff is already working closely with the Auditor to correct procedures, make improvements and strengthen internal controls.

Additionally, the Board has taken the following steps to strengthen management of the System and protect the assets invested on your behalf:

- Three new executive staff members have joined SCERS this year, including a new interim executive director, a new chief finance/operations officer and a new IT project manager. We will be developing a position description and a description of the ideal candidate in the coming months as we seek a new permanent executive director.
- In 2012, the Board stopped disqualifying disability retirements because of pre-existing conditions, a change later affirmed by the City Council.
- In September, SCERS staff and an outside consultant will present to the Board findings from a thorough review of how the office communicates with our members. The report will include recommendations for improved customer service with everyone who interacts with the office.
- This fall, SCERS will begin a review of our investment consulting services and conduct a competitive process to select an outside consultant, a process that was last done in 2008.
- In 2014, the Board and the City Council will do a broad review of how the City funds the pension system, including taking a good look at the various assumptions used in SCERS' financial models. This "experience study" process, typically done every 3 to 4 years, will look at the assumed return on investments, inflation, mortality rates and the system's membership growth, among other factors. This work is necessary to update our unfunded liability figure which stands at approximately \$1.1 billion today, leaving SCERS 63.5% funded. A funded ratio that is over 80% and improving is generally considered "safe," so the City and SCERS have some work to do. The City's established policy puts us on a path to achieve 100% funding over the next 30 years and we may consider accelerating that timetable as part of next year's review.

Separate from these Board actions, the City Council has been having informal conversations with labor representatives about how to ensure a strong, sustainable system well into the future. As we continue our work to strengthen our pension plan, I am guided by three key principles:

1. Current retirees and current employees should see no reduction in their promised benefits.
2. The City should provide employees a pension benefit that will provide financial security in their retirement when combined with their federal Social Security benefit.
3. As the City's cost of doing business continues to rise, we have a responsibility to future generations of employees and City taxpayers to design a plan structure that will make further adjustments unnecessary in future economic downturns. Sustainability over the long run is crucial.

Ensuring a healthy retirement system is important to me and my colleagues on the Board. Public service is an honorable and valued profession. Those who choose it deserve the security of a steady, defined pension benefit and high quality customer service. The Board is committed to making sure that's precisely what we provide to you.

As we work through this period of transformation, please feel free to share your comments or questions with Ken Nakatsu, our interim executive director. Ken can be reached at 206-615-1423 or via email at ken.nakatsu@seattle.gov.