



MINUTES

Board Members Present: Councilmember Tim Burgess; Robert Harvey; David Stewart; Glen Lee; Lou Walter; Sherry Crawford; Jean Becker

SCERS Staff Present: Cecelia M. Carter; Tony Smith; Ben Kalman; Jeff Davis; Claire Foster; Ken Nakatsu; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; George Emerson, FAS; Steve Viney, Retiree; John Masterjohn, Retiree; Brenda Bauer, Retiree; Jessica Wang, Budget Office; Zone Montoya, Personnel Department;

Councilmember Burgess, Board Chair called the meeting to order at 9am.

Public Comment: No public comment

Carlton Seu arrived at 9:01am

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the April 11, 2013 Retirement Board regular meeting.

Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals

Service	\$10,684,136.26
Beneficiary	\$900,497.12
Disability	\$74,781.64
Pension Payroll – PPE April 30, 2013	<u>\$11,659,415.02</u>
Office Payroll – PPE April 9 and 23, 2013	\$99,468.14
Vouchers Processed – April 30, 2013	\$1,571,664.08
*Expert and Consultant Services – \$29,107.60	
*Investment Management Fees – \$1,419,266.24	
*Interdepartmental Charges - \$97,776.75	
*Miscellaneous - \$25,513.49	

Immediate Withdrawals of Contributions for the month of April 2013:

Member	Department Name	Position
Barnes, Douglas K	Library	Publ Svc Tech
Berg, Kenneth E	DPD	Planner
Brandolini, Anthony J	SDOT	Maint Laborer
Brenneise, Harvey R	Library	Librarian
Bruce, Todd A	DoIT	Info Tech Prof A
Caballero, Bonnie S	SPU	Util Acct Rep
Cates, Coral H	HSD	Reg Nurse Consult
Chung, Chloe Wing-Sze	Library	Lib Assoc II
Cooksey, Michael J	SPU	Plan Dev Spec Sr
Cooper, Carmen L	Parks	Rec Attend
Counts, Dwayne A	Seattle Center	Laborer
Cronk, Timothy J	Seattle Center	Laborer
Gettmann, John M	Seattle Center	Laborer
Haws, Meshel L	Library	Lib Assoc I

Member Name	Department Name	Position
Hielscher, Carl B	Library	Page
Hipp, Mathew J	Parks	Lifeguard
Hubbard, Miles A	Parks	Laborer
Jones, Cheryl A	City Light	Lineworker
Kelly, Celia K	Parks	Lifeguard
Lizunova, Natalya Y	FAS	Fin Anlyst Sr
Mak, Robert L	Mayors Office	Exec 3
Martini Vonrichthofen, Christina	DoIT	Personnel Spec
McDonough, Jr, Mark J	SDOT	Tree Trimmer
McKinney, Andre W	HSD	Counselor
Menzel, Barbara J	City Light	Strat Advr 2
Muir, Guila C	Parks	Lifeguard
Parker, Mary M	Health	Admin Spec I
Pescatore, Joseph V	SPU	Drainage Coll Wkr
Redmond, Karen A	SPU	Util Acct Rep Trainee
Reilly, Andrew M	Fire	Info Tech Prof C
Rugg, Michael E	SPU	Drainage Coll Wkr
Salazar, Clara I	HSD	Grants and Contacts Spec Sr
Smith, Letitia Y	FAS	Sr Acct
Szpak, Judy C	TES	Victim Advocate
Taylor, Michael E	Seattle Center	Stage Tech
Thompson, Tracy L	Seattle Center	Stage Tech
Tuihalamaka, Sione S	Seattle Center	Laborer
VanEyck, Kenneth P	Muni Court	Info Tech Prof A
Vigil, Eileen V	Personnel	Admin Spec II
Wingate, Edward L	Parks	Rec Attend

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status. **Withdrawals for a total of: \$431,890.66**

Ratification of Service Retirements for April:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Antonio,Efren U	3/2/2013	63	33	317	City Light	Elec Engr Assoc
Arnold,Georgiana	3/13/2013	67	13	64	Human Services	Manager I
Bachen,Bruce A	3/13/2013	61	14	73	SPU	Executive 2
Beyers,Mary K	3/2/2013	54	28	357	Parks	Maint Laborer
Biggs,Susan I	3/2/2013	64	28	276	City Light	Info Tech Spec
Brown,Marsha K	3/13/2013	62	10	127	City Light	Exec Asst
Budman,Alan	4/2/2013	56	19	241	Vested	Vested
Burch,Michael W	4/10/2013	66	29	19	Library	Gardener
Culver,Carla J	3/13/2013	65	26	257	SPU	Civil Engr Spec,Sr
Devereaux,Cynthia R	4/3/2013	53	25	86	DPD	Permit Spec II
Duryea,Licia	3/1/2013	67	7	265	Vested	Vested
Erickson,Neal J	3/2/2013	60	25	327	Seattle Center	Admin Staff Anlyst
Firth,Christine D	3/6/2013	62	33	233	Library	Librarian
Gallagher,Raymond E	3/13/2013	54	30	70	SDOT	Heavy Truck Driver
Goodman,Jack E	4/10/2013	71	27	258	SPU	Wtrwrks Maint Supv

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Hahn,Cathy C	4/10/2013	60	11	132	SPU	Info Tech Prof A
Halgren,Mitchell V	3/13/2013	63	25	24	Fire	Auto Engr Sr
Harris,Rhonda Y	3/13/2013	60	37	186	Law	Victim Advocate
Hawthorne,Lisa	3/26/2013	52	25	238	FAS	Remittance Processing
Heath,Roger C	4/1/2013	60	1	14	Vested	Portability
Huss,Steven L	3/5/2013	57	13	132	Vested	Vested
Jackson,Samuel	4/4/2013	65	24	60	Library	Librn
Joyner,Robert	4/10/2013	69	12	20	SDOT	Civil Engr Supv
Justice,Eileen	4/9/2013	83	11	210	Parks	Rec Attendent
Kaya,Robert I	3/19/2013	65	13	307	Vested	Vested
Kirk,Margaret Y	3/30/2013	60	4	362	City Light	Elect Pwr Sys Engr, Prin
Lamsma,Frank C	3/13/2013	65	26	293	Seattle Center	Gardener
Little-Strong,Beverly	3/13/2013	59	31	300	City Light	Engry Mgmt Anlyst,Sr
Lundquist,Patrice M	3/1/2013	57	20	220	Vested	Vested
Lyons,Elizabeth A	3/27/2013	57	13	251	Vested	Vested
Marchand,Reginald P	3/2/2013	61	23	36	City Light	Meter Electn
Pien,Diana L	4/3/2013	65	17	110	Human Services	Plng & Dev Spec II
Pineda,Ma Teresa	3/1/2013	60	8	272	Vested	Vested
Pound,Gary A	3/13/2013	66	5	121	City Light	Info Tech
Rich, Sally (Beneficiary to Rodney Rich)	1/16/2013	74	18	341	FAS	Investment/Debt Director
Rudolfo,Robert M	3/27/2013	60	30	266	SPU	Truck Driver,Heavy
Santiago,Zenaida L	3/13/2013	58	24	319	FAS	Business Analyst
Schnell,Linda L	4/2/2013	59	12	229	Library	Dir Human Resources
Smith,Dave B	4/6/2013	62	33	252	City Light	Manager 3
Stevenson,Sunny K	4/9/2013	59	13	238	Vested	Vested
Toda,Connie L	3/27/2013	57	21	42	Police	Latent Print Examiner
Walton,Charles D	4/10/2013	58	20	105	City Light	Lnwkr
Weiss,Merle M	4/10/2013	67	8	192	Civil Rights	Civil Rights Anlyst
West,Dale A	2/6/2013	60	30	166	City Light	Gardener Sr
Whipple,Gwen L	4/2/2013	65	9	2	Human Services	Mgmt Sysys Anlyst
Woelfle,Juanita L	3/9/2013	63	23	289	Seattle Center	Manager 2
Wurzer,James C	4/10/2013	63	33	112	FAS	Contract Anlyst,Sr
Yee,Carolyn M	4/9/2013	64	30	90	City Light	Res & Eval Asst
Young,James A	3/30/2013	61	23	305	Vested	Vested

For the month of April 2013: 45 new Members entered the System, 30 terminations, 48 Members retired in the System, 17 Members removed (\$23,772.89), 2 D/E Option, 6 Option F, 4 over 60% benefit, and one 19-B active death.

Mr. Glen Lee arrived at 9:03am

Motion: Upon motion by Tim Burgess, seconded by David Stewart the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the April 11, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of April 2013

Investment Committee Report

There was no Investment Committee meeting the month of April 2013.

Mr. Tony Smith, SCERS staff gave a report on the Investment Accounting Summary report for March 2013. Mr. Smith reported as of March 31, 2013 the Total Portfolio has a market value of \$2.022 billion. Mr. Smith further highlighted that the March 31, 2013 valuation is reflective of the write-down of SchemaLogic to zero and the increase to the loss reserve to \$24,209,023.00 as outlined in the PCA memorandum dated March 28, 2013. The year to date change in market value is 3.60%. As of the report date, the funded status of the plan stood at 66.07% on a marked-to-market basis.

Mr. Lou Walter questioned staff about rebalancing the portfolio. Staff responded the portfolio is within the tolerance band(s), except for Private Equity.

Mr. Smith informed the Board of the details surrounding a tender offer made by Sonics, Inc. As a reminder, shares in Sonics, Inc were acquired by SCERS as part of an in-kind payout from SCERS investment in Phoenix Fund (private equity). The company management is now offering to tender Class D shares of stock from stockholders. Their offer would net SCERS approximately \$50,000.

No action from the Board of Administration was required for the Investment Committee report.

Executive Director Report:

Ms. Carter reported the nominations for the Trustee Board Active Seat closed Thursday, April 18th at 5pm. There were two nominations which are listed in alphabetical order as follow: Jean Becker with the Seattle City Light Department and Zone Montoya with the Personnel Department. Mr. Jeff Davis certified the close of the nomination period. Ms. Carter certified to the Board both candidates are eligible to run for the Active Seat. The election ballots will be mailed on Friday, May 10, 2013. The election is open for voting Monday, May 13th at 6am (Pacific Time) and closes on Monday, June 3, 2013 at 5pm (Pacific Time). The certified results of the election will be presented at the June 13, 2013 Board meeting.

Ms. Carter reported that in response to the Seattle Times article on May 5, 2013 corrections and comments were submitted to the City's Public Information Officer to submit to the Seattle Times. There were two corrections of particular noted. They are (1) SCERS has outperformed Washington State Investment Board for the 3- year period ending December 31, 2012, and (2) SCERS Portfolio is only invested at 2% in private equity.

Mr. Jeff Davis, SCERS Staff provided the Board with the below Operations update:

CliftonLarsonAllen 2012 draft audit of financial statements report will be presented at the May 30, 2013 Investment Committee meeting.

The January 1, 2013 Valuation Report of SCERS, conducted by Milliman is in progress. Milliman received all of the data and is expected to present to the Investment Committee on May 30, 2013 as well.

The data for the City CAFR was sent to FAS and is complete.

Mr. Davis reminded the Board that at the April meeting he stated the retirement estimate request target turnaround has been 6-8 weeks and staff has reduced the target to 4-6 weeks. Mr. Davis also reported at the April meeting that staff eliminated the restriction of only allowing one retirement estimate per person per year but will evaluate and reserve the right to limit estimates for those who abuse it. After discussions following the April Board meeting, SCERS management changed the process to allow two estimates per person/per year. Past practice has only allowed members who are eligible to retire within three years to request an estimate. SCERS management has increased that number to five years prior to retirement. Those seeking estimates out longer than five years are encouraged to use the on-line calculator.

Mr. Davis reported that SCERS staff will submit a Budget Issue Paper for two term-limited positions to maintain current operations capabilities and to work on improvements to the architecture and functionality of the system in advance and in support of the system replacement. Staff will present a report on the Budget to the Board at the June 13, 2013 meeting.

Mr. Davis reported that the contract for the Communication Audit is complete. The goal is to present a report to the Board after completion of Phase one which is targeted for August/September. Phase one includes document review, data gathering

which will include a member survey, stakeholder and staff interviews and work flow evaluation. The findings will inform the scope of what is implemented in Phase II.

Mr. Davis reported that the consultant interviews/presentations were conducted on May 2 and 3, 2013. A consultant was selected from the process. Mr. Davis stated the plan is to present an option analysis to the Board during the September/October timeframe. Phases three and four of the project are contingent on the option selected.

Mr. Walter asked for clarification that the RFP doesn't commit SCERS to purchase a new system. Staff responded there is no commitment to purchase a system.

Mr. Walter asked questions confirming SCERS operations staff would be involved in the selection of any system database to ensure their processing needs are met.

Ms. Claire Foster provided the Board with the below IT update:

Ms. Foster reported the Port Retirement Information System to Oracle is going very well. Ms. Foster stated that at the April Board meeting she reported the target cutover was scheduled for June/July. However, based on completion of the scope analysis, the target cutover is now July, or possibly August if the need arises to load balance staff resources between user testing and the consulting engagement. The schedule is as follows: May – development; June-testing; July – staff functional testing. Ms. Foster confirmed the schedule is ahead of the migration to Windows 7. Mr. Lee asked if Staff was working with DoIT to delay the migration as a back-up plan. Ms. Foster responded that SCERS is migrating under FAS' schedule and that she is coordinating with the FAS WOI Project Manager.

Ms. Foster reported the market survey is underway. The findings will be presented to the Board at the June 13th meeting.

Ms. Foster reported that staff is working on the analysis enhancements recommended by Mr. Bryant Bradbury with Financial and Administrative Services. DoIT staff is currently working on providing extra security for the Investment team's systems.

New Business

Ms. Becker reported the Governance committee met on April 30, 2013 from 2-4pm at the Seattle City Employees' Retirement System Office, 720 Third Avenue, Suite 900. Present at the meeting were Jean Becker, Committee Chair; Bob Harvey; Sherry Crawford; Cecelia Carter, SCERS Executive Director; Carlton Seu, Seattle City Attorney's Office; Mike Monaco, Song Mondress Law Firm.

Ms. Becker reported the committee reviewed and worked through the details of the Investment Committee and Administrative Committee Charters. The committee is scheduled to meet in June to review the draft charters and the goal is to present them at the June Board meeting. Ms. Becker commented that the Governance Committee will recommend to the Board an Ordinance to modify language in the Seattle Municipal Code 4.36. Mr. Seu, City Attorney's Office reported the draft Ordinance is complete and requested a review in Executive Session.

Ms. Becker further reported that the Committee is creating a work plan for the Governance Committee which will include the Social Investment Guidelines the Board requested the committee to develop.

Mr. Walter expressed his concern regarding the plan portfolio and the established bandwidths instituted with the plan's target allocations. Mr. Smith responded the bandwidths are within plus or minus 2%. Ms. Carter clarified that when rebalancing, it is not necessarily best practice to rebalance entirely to the target so to permit further market fluctuation and mitigate on trading cost.

Councilmember Burgess announced at 9:30am the Board would go into executive session to discuss a disability application, prior service credit petition request, legislative review and a personnel matter until 10:15am. The public will be notified if the session ends early or is extended.

Mr. Carlton Seu announced at 10:15am that the Executive Session was extended to 10:30am.

Public session resumed at 10:22am.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter the Retirement Board of Administration approved Mr. Steven Groshong's Disability Retirement Application with an effective date of April 1, 2012.

Motion: Motion: Upon motion by Tim Burgess, seconded by Bob Harvey, the Retirement Board of Administration denied the petition of Ms. Brenda Bauer for prior service credit during her CETA employment, and approved findings of facts and conclusions of law reflecting the basis for that determination to be issued to Ms. Bauer.

Motion: Upon motion by Lou Walter seconded by Jean Becker the Retirement Board of Administration approved the submission of legislative language to City Council for consideration modifying the Seattle Municipal Code Section 4.36.140.

Adjournment

Motion: Upon motion by Lou Walter, seconded by Glen Lee, the Retirement Board voted to adjourn the meeting at 10:25am.

David L. Stewart, Secretary