



MINUTES

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

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

Others Present: Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Tom Kirn, FAS; John Masterjohn, ARSCE; Judith Flemings, ARSCE; Marshall Fahlstrom; Steve Viney, Retiree; Robert Branigin; Ken Yaeger; John Masterjohn, ARSCE; Patti Kieval, PTE17; Jennifer Senta, Milliman

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

SCERS Staff was recognized for the successful conversion to the new Retirement Information System.

Public Comment:

Ms. Flemings, with ARSCE requested to speak when the Board discussed agenda item number five (Pop-Up Provision Analysis).

Mr. Masterjohn, President of ARSCE thanked the Board and staff for doing the pop-up provision analysis.

Administrative Consent Agenda

Minutes:

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

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

| | |
|--|------------------------|
| Service | \$10,798,204.82 |
| Beneficiary | \$ 895,949.58 |
| Disability | \$ 74,824.52 |
| Pension Payroll – PPE July 31, 2013 | \$11,768,978.92 |
| | |
| Office Payroll – PPE July 16 and 30, 2013 | \$165,773.18 |
| | |
| Vouchers Processed – July 31, 2013 | \$614,406.74 |
| *Expert and Consultant Services – \$103,960.00 | |
| *Investment Management Fees – \$389,523.85 | |
| *Interdepartmental Charges - \$97,776.75 | |
| *Miscellaneous - \$23,146.14 | |

Immediate Withdrawals of Contributions for the month of July 2013:

| Member Name | Department Name | Position |
|-------------------------|-----------------|--------------------|
| Anthony, Ashaki N | City Light | Mgmt Sys Anlyst Sr |
| Bozick, Vincent M | DPD | Permit Spec II |
| Cervantez, Manuel L | City Light | Lnwker |
| Crisp, Troy B | DoIT | Data Tech |
| Dodson, Michael A | Police | Parking Enf Ofcr |
| Glennon, Elizabeth | HSD | Counselor |
| Goodwin-Stanley, Hester | Library | Lib Assoc I |
| Gopher, Raymond J | Retirement | Retirement Spec |
| Hartman, Suzanne | City Light | Exec II |
| Jagod, Wilbert L | Parks | Aquarium Guide |
| Ortiz, Siobhan M | Police | Comm Disp I |
| Rhoden, Arthur J | Parks | Work Trng |
| Smith, Dannette R | HSD | Exec 3 |

| Member Name | Department Name | Position |
|-------------------|-----------------|------------------|
| Tatko, Lucyna Ewa | SDOT | Accountant Sr |
| Willison, Jill S | SPU | Info Tech Prof C |

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Withdrawals for a total of: \$249,360.81

Ratification of Service Retirements for July:

| Retiree | RetireDt | Age | Years | Days | DeptName | Position |
|------------------------------|------------------|-----------|-----------|------------|-------------------|--|
| Anderson,John C | 7/3/2013 | 58 | 31 | 25 | Police | Warehouser,Chief |
| Ballesteros,Richard S | 6/23/2013 | 59 | 37 | 75 | Vested | Vested |
| Conner,Linda E | 7/3/2013 | 65 | 26 | 180 | Municipal Courts | Admin Spec II |
| Cook,Dennis A | 7/3/2013 | 57 | 32 | 334 | Parks | Manager 1 |
| Couples,Joseph J | 7/2/2013 | 52 | 27 | 62 | SDOT | Civil Engr Sr |
| Crane,Garry M | 7/3/2013 | 72 | 30 | 94 | City Light | Economist Prin |
| Cunningham,John H | 7/2/2013 | 67 | 12 | 187 | City Light | Lnwkr |
| Darling,Lisa A | 6/11/2013 | 61 | 33 | 351 | City Light | Meter Reader |
| DeLeon,Diana | 7/3/2013 | 50 | 30 | 0 | DoIT | Info Tech Sys Anlyst |
| Douglas,Tim A | 7/3/2013 | 62 | 39 | 277 | FAS | Licenses & Standard Inspector |
| Emerson,Frank A | 7/3/2013 | 65 | 38 | 95 | Personnel | Strat Advr I |
| Fenker,Christine L | 7/1/2013 | 57 | 3 | 290 | Vested | Vested |
| Garrett,Robin B | 6/20/2013 | 52 | 23 | 33 | Vested | Vested |
| Gruber,Henry T | 6/9/2013 | 71 | 9 | 38 | Municipal Courts | Muni Court Marshal |
| Halley,Robert M | 6/28/2013 | 66 | 8 | 26 | Vested | Vested |
| Heitman,Janice L | 6/21/2013 | 58 | 30 | 60 | SPU | Truck Drvr Heavy |
| Henderson,Janet N | 6/22/2013 | 62 | 8 | 287 | Vested | Vested |
| Johnson,Patricia J | 6/28/2013 | 66 | 18 | 28 | Vested | Vested |
| Kemper,Brian K | 7/3/2013 | 55 | 32 | 235 | SDOT | Manager 3 |
| Kenyon,K Suzanne | 7/3/2013 | 61 | 8 | 46 | Human Services | Counslr |
| Lowe,Sharon P | 6/29/2013 | 66 | 35 | 217 | FAS | Info Tech Prof B -BU |
| McLean,Dean S | 6/12/2013 | 66 | 32 | 232 | City Light | Civil Engr Supv |
| Moore,Judith A | 7/3/2013 | 64 | 30 | 46 | SPU | Civil Engr Spec Sr |
| Morita,Eugenia | 7/3/2013 | 57 | 29 | 78 | City Light | Enrgy Mgmt Anlyst Supv |
| Mulryan,James P | 7/3/2013 | 63 | 13 | 217 | Parks | Grounds Maint Lead Wkr |
| Muskelly,Cheryl P | 7/3/2013 | 53 | 20 | 234 | SPU | Util Acct Rep I |
| Nason,Ronald J | 6/18/2013 | 62 | 10 | 125 | Vested | Vested |
| Pedersen,Susan S | 7/3/2013 | 55 | 26 | 238 | Finance | Accountant |
| Peterson,John L | 6/24/2013 | 63 | 12 | 316 | Vested | Vested |
| Peterson,Lawrence M | 7/3/2013 | 65 | 32 | 245 | City Light | Info Tech Prof B |
| Probst,Thomas E | 6/25/2013 | 64 | 12 | 356 | Vested | Vested |
| Robinson,Pauline | 7/3/2013 | 62 | 22 | 101 | SPU | Util Acct Rep I |
| Sillivan,Diane J | 7/3/2013 | 63 | 8 | 5 | Law | Admin Spec I |
| Titus,Christine E | 6/30/2013 | 62 | 6 | 327 | Vested | Vested |

For the month of July 2013: 40 new Members entered the System, 45 terminations, 34 Members retired in the System, 16 Members removed (\$19,962.33), 5 D/E Option, 5 Option F reductions, 6 over 60% benefit.

Mr. Nakatsu reported there was nothing out of the ordinary to highlight on the Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals, or the Service Retirements.

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

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

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on July 25, 2013 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building).

Committee members present: Bob Harvey, Glen Lee; David Stewart.

Committee members absent: Lou Walter

Other Board members present: Jean Becker; Sherri Crawford

Staff Present: Ken Nakatsu; Tony Smith; Ben Kalman; Jeff Davis; Lisa Carns

Others present: Neil Rue, David Sancewich, Andrew Bratt, and Ryan Lobdell with Pension Consulting Alliance; John McCoy, Legislative Central Staff; George Emerson, FAS; and Deanna Hobson, Pugh Capital

Mr. Tony Smith, SCERS staff reported on the July 25, 2013 Investment Committee meeting. A recap of the meeting is outlined below.

Investment Accounting Summary Report – June 2013

Mr. Smith reported for the month of June the Total Portfolio asset classes were within acceptable ranges from their target weights, except for Private Equity. During the month SCERS received approximately \$230 thousand dollars in distributions from its Private Equity managers. As of the report date, the funded status of the plan stood at 64.88% on a mark-to-market basis.

Attucks Watch Status

Mr. Smith summarized Attuck's performance during the time they have been on watch status. It has not improved sufficiently. PCA recommended SCERS defund Attucks and shift the assets into a passively managed domestic equity strategy.

Asset Allocation Project

Mr. Smith reported that PCA presented an overview of the Asset Allocation project. PCA outlined the timeline of the project, the various steps that would be involved, and the desired outcome of the study. The presentation covered a high level overview of what asset allocation is, the importance of a strategic asset allocation, and how it correlates to the overall fund goal to provide assets that can help meet retirement benefit obligations. PCA also touched upon several important concepts, including the assumptions that have to be made when optimizing a portfolio, as well as the constraints that need to be incorporated into the model to ensure realistic portfolios are created. At the next Investment Committee meeting (August 29th) PCA will request the Investment Committee approve a number of key inputs and constraints that need to be incorporated into the modeling so that a set of portfolio options can be created for the Committee to analyze.

The timeline for the Asset Allocation project is:

August 2013 – Approval of Asset Allocation Modeling Parameters

September 2013 – Review new policy options

October 2013 – Formal recommendations and selection of new policy portfolio

November 2013 – Summary of Asset Allocation Project and Implementation Process

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration approved the defunding of Attucks as recommended by the Investment Committee.

The motion carried unanimously.

Executive Director Report:

Mr. Nakatsu reported that at the City Council Governance, Finance and Performance Committee on August 7, 2013 three pieces of legislation passed that affect SCERS.

1. Resolution 31475 – The Credit Interest for 2014 was approved at 2.91%
2. Ordinance 124254 –An amendment was approved clarifying the delegation and contracting authority of the Retirement System Board of Administration; and amending Section 4.36.140 of the Seattle Municipal Code.

3. Resolution 31474 –An amendment of Resolution 31334 was approved clarifying the City’s approach toward amortizing the unfunded liability of SCERS; and requesting the SCERS Board of Administration and its actuary deliver to the City Council in 2014 an analysis of other potential assumption and policy changes designed to further strengthen the Retirement System.

Mr. Nakatsu commented that the migration to the new Retirement System was successful. The new system has improved stability and security.

Mr. Nakatsu thanked the City Auditors for their services.

Mr. Nakatsu presented the Board with a work plan. The work plan includes the requests from the Board and Staff and will serve as an organizational guide of the ongoing projects. The Board agreed with the work plan presented.

Mr. Nakatsu requested the Board’s authorization to allow SCERS Staff to adjust the records to close the loss reserve account and make corresponding adjustments to investment valuations. Legal commented there were no concerns with closing the loss reserve.

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration authorizes SCERS Staff to adjust the loss reserve to zero and make corresponding adjustments to investment valuations.
The motion carried unanimously.

SCERS Operations Update

There were no operation updates to report on.

IT Updates

Ms. Foster reported the new Retirement System (RIS II) went into production July 30th. The new system will improve reporting, security and streamline business processes.

Ms. Foster acknowledged the development and functional team members: David Locke, Jane Kortz, Roger Faustino, Jacqui Evanchik, Dennis Traut, Jeannine Fortier, Lindsay Reid, Shek Tang, and Deontrae Sherrard.

Ms. Foster reported the Windows 7 migration is on schedule for early September.

New Business

Pop-Up Analysis

Ms. Jennifer Senta from Milliman gave a report on the estimated cost of providing pop-up benefits to the pre-1997 Option D and E Retirees as requested from the Board of Administration. If the benefit increase were granted the Unfunded Actuarial Accrued Liability cost would be \$4.2 million and there would be an increase in the actuarial required contribution rate of 0.04% of payroll as of January 1, 2013. In addition, granting the benefit to pre-1997 retirees would be inequitable to post- 1997 retirees that have paid for the benefit through actuarially reduced pensions.

Ms. Senta further explained how Milliman got to the estimated costs. There was dialogue from the Board and audience.

The Board of Administration stated they are not in support of changing the code at this time.

City’s Audit Report

David Jones, City Auditor; Cindy Drake, Assistant City Auditor; and Jane Dunkel, Assistant City Auditor reported their findings of the Performance Audit of Seattle City Employees’ Retirement System Benefit Calculations. The Audit was conducted at the request of the Board and the objectives were to (1) determine the accuracy of benefit calculations; (2) assess whether there are sufficient controls and oversight over calculations; and (3) the efficiency of the calculation process.

The overview of the results included the errors identified were attributed to a lack of adequate controls and support. Most errors had very little impact on benefits.

The report included nine recommendations in the following four key areas:

1. Guidance and Oversight
2. Data Limitations
3. Calculation Worksheets
4. Documentation

The audit report also included that SCERS improve the management system of the benefit calculation function as a whole.

Staff reported that they have begun implementing the auditor's recommendations.

Mr. Jones commented that they will follow-up with staff in a year to assess the process and will report back to the Board.

Governance Committee Report

Ms. Becker reported the Governance Committee met on July 31st. Present at the meeting were Ms. Becker, Committee Chair; Bob Harvey, Committee Member; Ken Nakatsu; Jeff Davis; Tony Smith; and Lisa Carns with SCERS Staff; and Mike Monaco, Song Mondress Law Firm.

The Committee is in the process of developing the Environmental, Social, and Governance Policy and the Investment and Administrative Committee Charters. Mr. Monaco will provide final drafts for the committee's review at the next Governance Committee meeting.

The goal is to present the Policy and both Charters to the Board for approval at the September meeting.

The next Governance Committee meeting is scheduled for August 22, 2013 at 2pm.

There were no questions or comments from the Board.

Councilmember Burgess asked the Board if there were any other items to be presented.

There were none.

Adjournment

Motion: Upon motion by Tim Burgess, seconded by Lou Walter, the Retirement Board voted to adjourn the meeting at 10:15am.

David L. Stewart, Secretary