



MINUTES

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

Board Members Absent: Sherri Crawford

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Claire Foster; Lisa Carns

Others Present: Mike Monaco, Song Mondress Law Firm; Gary Smith, Seattle City Attorney's Office; Justin Natali, Personnel Department; Tom Kirn, FAS; John Masterjohn, ARSCE; Charles Primm, PTE17; George Emerson, FAS; John McCoy, Legislative Central Staff; Nate Van Duzer, City Council Office; Cynthia Scheiderer; Valerie Heidi Mudra; Jeff Skillman

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

Public Comment:

Mr. Masterjohn, President of ARSCE thanked the Board and staff for doing the pop-up provision analysis and further requested the Board revisit the pop-up provision when the system is 75 to 80% funded instead of 90 to 100%.

Mr. Ken Nakatsu, Interim Executive Director introduced and welcomed Jill Johnson to the SCERS staff as the Temporary Investment Strategic Advisor.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the August 8, 2013 Retirement Board regular meeting.

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

Service	\$10,876,516.15
Beneficiary	\$ 894,765.86
Disability	\$ <u>73,071.11</u>
Pension Payroll – PPE August 31, 2013	\$ 11,844,353.12
Office Payroll – PPE August 9 and 23, 2013	\$100,380.73
Vouchers Processed – August 31, 2013	\$1,422,529.69
*Expert and Consultant Services – \$134,749.50	
*Investment Management Fees – \$1,168,174.66	
*Interdepartmental Charges - \$97,776.75	
*Miscellaneous - \$21,828.78	

Immediate Withdrawals of Contributions for the month of August 2013:

Member Name	Department Name	Position
Bassch, Kimberly A	Law	Paralegal
Figueroa, Michael W	Parks	Rec Prgm Coord
Graham, Laurence A	Parks	Lifeguard
Harrison, Edith J	Parks	Rec Attendent
Jacobson, Michael D	City Light	Pwr Marketer
Jezek, Tammy C	Library	Public Svc Tech
Johnson, Cheryl K	SDOT	Truck Drvr Heavy
Lam, Larry E	SPU	Drainage & Waste Coll Wkr
Ledbetter, Michael R	City Budget	Strat Advr 3
Lerch, Caitlin S	Police	Data Tech
Livigitone, Fetaimoeloa F	City Light	Admin Support Spec

Member Name	Department Name	Position
Ortiz, Ricardo	Seattle Center	Laborer
Rapier, Gabriel J	Library	Library Assoc II
Sale, Nellie	Police	Comm Dispatch II
Tarantino, Edward J	SDOT	Tree Trimmer
Thomas, Blasé D	FAS	Auto Mechanic
Tran, Kim	City Light	Strat Advr 3
Van Alstine, G. Michael	FAS	Bldg Oper Engr
Vats, Sita	Seattle Center	Usher
Vatsa, Ajay K	Seattle Center	Usher
Vatsa, Pamela Yvonne	SPU	Personnel Spec
Whitman, Donald D	Library	Lead Page
Yranela, Betty L	SPU	Info Tech Prof B

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

Withdrawals for a total of: \$744,819.16

Retirement of Service Retirements for July:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Allman,Rita	8/14/2013	58	12	359	SPU	Admin Staff Asst
Baca,Veronica L	8/14/2013	55	24	280	SPU	Strat Advsr 2
Barnes,Curtis	8/14/2013	69	21	339	Parks Dept	Constr&Repair CC
Carter,Ralph J	8/3/2013	58	21	85	Parks Dept	Maint Laborer
Chapin,David M	8/14/2013	63	12	124	SPU	Envrnmntl Anlyst Sr
Cutshall,Mary J	8/8/2013	65	12	327	Human Svcs	Counslr
DiGiorgio,Lisa F	7/26/2013	55	28	355	Health Dept	Program Manager
Feist,Jack	8/2/2013	61	35	266	City Light	Line CCC
Finney,Glenna R	8/13/2013	50	25	125	City Light	Strat Advr 2
Grotle,Del E	7/10/2013	66	6	251	City Light	Elctn-Con
Irigon,Felicita F	8/8/2013	64	19	79	Human Svcs	Counslr
Jackson,Denice V	8/14/2013	64	5	28	City Light	Personnel Spec Asst
Leach,Ellen L	8/2/2013	65	18	231	Parks Dept	Vested
Lee-Williams,Stephanie M	8/14/2013	55	34	66	City Light	Cblspl CC
Lennon,Wayne W	8/14/2013	70	24	229	FAS	Complaint Investigator
Leung,Waitran L	7/6/2013	58	32	163	SPU	Manager 2
McDaniel,Sharon F	7/13/2013	69	13	146	Human Svcs	Counslr
Morse,Donna C	8/14/2013	65	9	222	City Light	Utility Hearing Ofcr
Murray,Dan M	7/10/2013	65	17	272	City Light	Meter Elctn
Ooka,Cheryl M	8/3/2013	55	28	166	SDOT	Manager 3
Radtke,Gerald D	8/2/2013	65	38	70	City Light	Elctn-Con
Reis,Elizabeth A	8/6/2013	61	29	5	Health Dept	Health Educat Consul II
Roche,John T	7/17/2013	65	19	304	Parks Dept	Strat Advsr 2
Rodriguez,Juan	8/13/2013	52	24	260	City Light	Truck Drvr, Heavy
Rosenthal,Linda M	8/6/2013	64	32	335	Library	Librn
Samuels,Mary E	8/14/2013	60	28	58	FAS	Info Tech Prof B -BU
Semro,Marilynn L	8/2/2013	64	14	22	City Light	Strat Advsr 2
Sommers,Wendy S	8/2/2013	60	30	2	Police	Payroll Supv

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Sundby,Douglas E	8/2/2013	62	6	335	DPD	Elevator Inspector Sr
Tello,Francisco M	8/2/2013	64	31	321	Police	Crime Prev Coord
Trias,Marilou B	7/31/2013	54	30	3	City Light	Enrgy Mgmt Anlyst, Sr
Wehr,Virginia G	8/14/2013	63	22	128	SPU	Admin Spec III -BU
West,Joanne E	8/9/2013	62	30	1	DPD	Land Use Plnr II
Woestwin,Carl H	7/20/2013	68	23	296	SPU	Plng&Dev Spec, Sr
Wymore,Nancy	8/14/2013	63	32	274	SPU	Truck Drvr, Heavy

For the month of August 2013: 78 new Members entered the System, 34 terminations, 37 Members retired in the System, 19 Members removed (\$20,322.69), 5 D/E Option, 5 Option F reductions, 4 over 60% benefit.

Mr. Nakatsu reported the vouchers processed are higher than normal due to quarterly fees.

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

- Minutes of the August 8, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of August 2013

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on August 29, 2013 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building).

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

Other Board members present: Jean Becker; Sherri Crawford

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

Others present: Neil Rue, Andrew Bratt, Mike Moy, and Ryan Lobdell with Pension Consulting Alliance; John McCoy, Legislative Central Staff; Steve Viney, Retiree; Dwight McRae, Investment Advisory Committee

Mr. Tony Smith, SCERS staff gave a report on the August 29, 2013 Investment Committee meeting. A recap of the meeting is outlined below.

Investment Accounting Summary Report – July 2013

Mr. Smith reported for the month of July the Total Portfolio asset classes were within acceptable ranges from their target weights, except for an underweight to Private Equity and a slight overweight to US equity. The Total Portfolio market value was at \$2.1 billion. During the month of July, SCERS received approximately \$114,000 in distributions from its Private Equity managers. As of July 31, 2013 the funded status of the plan stood at 66.62% on a mark-to-market basis.

Performance Report – 2Q 2013

Mr. Smith reported that PCA provided the Investment Committee with an overview of SCERS' Performance Report for 2Q 2013. The overview included SCERS Total Portfolio had an aggregate value of \$2.012 billion as of June 30, 2013. This represents a \$35.3 million decrease in value over the last quarter. Over the last one year period the Portfolio outperformed the policy benchmark by 72 basis points, excluding the workout portfolio. PCA reviewed the Asset Allocation targets that were implemented January 2011. As of June 30, 2013, the Total Portfolio was within range for all asset classes except for Private Equity. The Total Portfolio trailed the policy benchmark by 1.17% for the quarter.

Asset Allocation Project

Mr. Smith reported that PCA presented part two of the Asset Allocation project. PCA reviewed the capital markets planning assumptions for each asset class and the proposed modeling constraints. PCA requested the Investment Committee's approval of the assumptions. The Investment Committee approved the constraints.

The next steps for the Asset Allocation project are:

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

Private Equity Discussion

Mr. Smith reported that PCA reviewed the private equity asset class, the private equity subsector allocations and long term ranges, the J-curve, the manager selection process, the performance benchmarking surrounding private equity, an overview of fund of funds and an update on the workout portfolio. PCA presented three approaches to access this market (1) fund of funds; (2) a separate account; and (3) direct advisor recommendations. The private equity manager selection and due diligence process was also discussed at the Investment Committee.

There were comments from the Board pertaining to the private equity target increase from 6% to 10%; due diligence concerns and the manager selection process.

Motion: Upon motion by Tim Burgess, seconded by Glen Lee, the Retirement Board of Administration accepted the 2nd Quarter 2013 Performance Report as recommended by the Investment Committee.
The motion carried unanimously.

Councilmember Burgess requested that agenda item 6(b) Strategic Planning Session be moved before the Governance Committee report. There were no objections from the Board.

Strategic Planning Session Pre-Work Discussion

Mr. Justin Natali from City Personnel spoke to the Board regarding the upcoming Strategic Planning session scheduled in December. Mr. Natali provided a brief recap from the planning session held in February 2013. Mr. Natali will present the Board with the pre-work needed for the December Strategic Planning session at the November Board meeting.

Governance Committee Report

The Governance Committee met on August 22, 2013 at 2pm at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building).

Committee members present: Jean Becker, Chair; Bob Harvey; Sherri Crawford

Staff Present: Ken Nakatsu; Jeff Davis; Lisa Carns

Others present: Carlton Seu, City of Seattle Law Department; Mike Monaco, Song Mondress Law Firm

Ms. Becker reported the Governance Committee recommended and requested the Board of Administration to adopt the Administrative Committee and Investment Committee Charters, and the Environmental, Social and Governance Policy presented to them. Ms. Becker provided the Board with an overview on how the Governance Committee established the charters and policy being presented.

Ms. Becker reported the Administrative Committee's next project is to develop the Investment Advisory Committee charter. The roles and responsibilities and the effectiveness and utilization of the Investment Advisory Committee will be discussed at the next Administrative Committee meeting on October 8th at 10am. The Committee's goal is to present the Board with the Investment Advisory Committee Charter at the December 12th meeting. Ms. Becker invited the Investment Advisory Committee members and the Board members to attend the meeting on October 8th.

Motion: Upon motion by Jean Becker, seconded by Bob Harvey the Retirement Board of Administration adopted the below listed policy and charters as recommended by the Governance Committee:

- Environmental, Social and Governance Policy
- Administrative Committee Charter
- Investment Committee Charter

The motion carried unanimously

Executive Director Report:

Mr. Nakatsu reported that the Work Plan is on schedule. SCERS is currently seeking additional staff support; the annual report is in production; and the Asset Overlay RFP will be issued within the next month.

SCERS Operations Update

Mr. Davis reported that Cynthia Scheiderer with Scheiderer Partners will present the Communication Audit Report following Ms. Foster's IT update.

IT Updates

Ms. Foster, SCERS staff reported the following:

- The RIS II cutover stabilization period is complete.
- The Windows 7, Office 2010, Internet Explorer 9 Upgrade migration is complete.
- Linea Solutions completed their operational analysis of our major processes and based on their findings will be recommending a set of initiatives in addition to a Pension Administration System. Linea Solutions will present more detailed information about the initiatives at the October Board meeting.

SCERS staff has begun working on two initiatives: (1) a project with FAS CRM team to use the City's Customer Service Request system (internal use only); and (2) prep work for audit of the current RIS II system to review data and procedures that is used to maintain the data.

Councilmember Burgess thanked Ms. Foster for the good work.

New Business

Communication Audit Report

Ms. Cynthia Scheiderer with Scheiderer Partners reported to the Board the communication audit objectives, the methodology of the audit, the findings and recommendations.

Phase I of the SCERS communication review is complete. Phase II will overlap with the IT and Case Management (CRM) projects.

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

Mr. Walter gave the Board a brief overview of the NCPERS Program for Advanced Trustee Studies training he attended in August 2013. Mr. Walter recommended the Board members consider attending the training in the future.

It was announced at 10:15am the Board would go into executive session to discuss an investment matter until 11am.

The Board came out of executive session at 10:30am.

Motion: Upon motion of Tim Burgess, seconded by Bob Harvey, the Retirement Board of Administration approved to engage the services of Applyby to address Epsilon II's compliance with British Virgin Island's legal requirements and maintenance of the fund as a closed ended vehicle in the British Virgin Islands.
The motion carried unanimously

The meeting adjourned at 10:31am

David L. Stewart, Secretary