



MINUTES

Board Members Present: Robert Harvey, Acting Chair; David Stewart; Glen Lee; Jean Becker; Sherri Crawford

Board Members Absent: Councilmember Tim Burgess; Lou Walter

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; 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; George Emerson, FAS; Ken Yaeger, Retiree; Vien Nguyen, SCERS member; Akio Tagawa, Linea Solutions

Bob Harvey, Acting Chair called the meeting to order at 9am.

Public Comment:

No public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the September 12, 2013 Retirement Board regular meeting.

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

Service	\$ 10,916,031.03
Beneficiary	\$ 891,569.60
Disability	\$ 73,307.23
Pension Payroll – PPE September 30, 2013	\$ 11,880,907.86
Office Payroll – PPE September 6 and 20, 2013	\$97,786.65
Vouchers Processed – September 30, 2013	\$741,647.13
*Expert and Consultant Services – \$183,518.14	
*Investment Management Fees – \$422,876.22	
*Interdepartmental Charges - \$97,776.75	
*Miscellaneous - \$37,476.02	

Immediate Withdrawals of Contributions for the month of September 2013:

Member Name	Department Name	Position
Asp, Kyle E	Parks	Lifeguard Sr
Bell, Jamee M	City Light	Warehouser
Dudley, Beth S	SPU	Util Acct Rep I
Fatongiatau, Jr., Sione	SDOT	Mtc Laborer
Guilbeau Jr, Francis X	Parks	Utility Laborer
Jagannathan, Muthukumar	DoIT	Info Tech Prof B
Leggett, Lesley Ann	SPU	Water Qual Analyst
Marr, Royal D	TES - Personnel	Carpenter
Metz, Katie E	Parks	Aquarium Biologist I
Ngugi, Edwin	SDOT	Bridge Mtc Mech Help
Pratt, Janice M	City Budget Office	Admin Spec II
Simmons, Tonisha R	City Light	Personnel Spec Asst
Thorton, Jerrice A	TES - Personnel	Laborer
Torgimson, Jeff	City Light	Cable Splitter

Member Name	Department Name	Position
Van Wormer, Katrina	HSD	Counselor
Wang, Anne Shou-Ling	Library	Library Assoc II

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

Withdrawals for a total of: \$375,979.28

Ratification of Service Retirements for September:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Allen Jr., William G	9/10/2013	62	9	6	Personnel	Vested
Anderson, David L	9/11/2013	61	15	92	City Light	Capital Projects Coord Sr
Beach III, Elmer J	9/10/2013	61	35	263	SDOT	Constr&Maint Equip Op
Beckwith, Robert L	8/30/2013	58	15	178	City Light	Vested
Betts, James A	8/31/2013	63	32	122	HSD	Grants & Conts Spec Sr
Glenn, Jane M	8/21/2013	52	28	131	PublicUtil	Warehouser, Sr -BU
Lebens, Karen A	9/3/2013	69	14	88	City Light	Hydro Elect Op II
Lindsey, David R	9/3/2013	67	5	350.77	PublicUtil	Util Acct Rep I
Louie, Steven K	9/11/2013	57	24	23	NeighbDept	Neighb District Coord
McClintock, Steve T	9/11/2013	60	29	26	City Light	Warehousr, Chief
Oiye, Julie Ann	9/4/2013	60	13	333	Library	Librarian
Paul, Pamela P	9/1/2013	58	1	344	LegCtyCncl	Vested
Potter, Denise D	8/16/2013	65	35	162	Parks Dept	Manager 3
Reinhardt, Martha E	9/6/2013	71	15	353	City Light	Exec Asst
Robb, Nancy J	9/11/2013	66	28	130	City Light	Manager 2
Scherer, Jo A	8/15/2013	60	27	342	FAS	Carpenter
Smith, Georg T	9/5/2013	58	27	5	InfoTech	Comm Shop Super
Teufel, Katherine	9/11/2013	65	38	262	Library	Librarian
Umagat, Edith	9/11/2013	60	34	278	FAS	Admin Staff Anlyst
Wong, Sue Y	9/10/2013	54	31	160	Police	Admin Staff Asst
Zukaitis, Stephen J	9/4/2013	59	26	199	PublicUtil	Wtr Meter Repairer Sr
						Total Added to Monthly Pension Payroll
	Average	61	23	183		Average Pension Amount
	Median	60	27	162		Median Pension Amount

For the month of September 2013: 75 new Members entered the System, 33 terminations, 21 Members retired in the System 12 Members removed (\$17,270.15), 2 D/E Option, 5 Option F reductions, 1 Option E pop-up, 3 over 60% benefit

Motion:

Upon motion by David Stewart, seconded by Jean Becker the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the September 12, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of September 2013

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on September 26, 2013 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Glen Lee, Acting Chair; David Stewart; : Jean Becker; Sherri Crawford; Bob Harvey(phone); Lou Walter(joined by phone at 1:17pm)

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

Others present: Neil Rue; David Sancewich; Andrew Bratt; Mike Moy; and Ryan Lobdell from PCA; John McCoy, Legislative Central Staff; George Emerson, FAS; Kellie Craine, FAS

Mr. Tony Smith, SCERS staff provided the Board of Administration with a recap of the September 26, 2013 Investment Committee meeting:

Investment Accounting Summary Report – August 2013

Mr. Smith reported for the month of August the Total Portfolio had a market value of \$2.0 billion. The Total Portfolio asset classes were within acceptable ranges from their target weights, with the exception of an underweight to Private Equity. During the month of August, SCERS received approximately \$1.1 million in distributions from its Private Equity managers.

Attucks was terminated in August after being on the watch list for three quarters. The reason for the termination was for underperformance relative to stated policy ranges.

\$1.9 million was taken from Blackrock Russell 1000 to pay benefits.

The plan's funded ratio for August was at 65.30%.

Asset Allocation Project

Mr. Smith reported that PCA reviewed the characteristics of the model used in the asset allocation study which included (1) simulation-based; (2) incorporating liability/cost projections from Milliman; and (3) a five year step-in for the illiquid asset classes (private equity and real estate). The spectrum of outcomes was reviewed in terms of each portfolio's asset allocations and corresponding risk/return trade-offs. PCA presented the Investment Committee with seven potential policy portfolios. PCA reported they made two adjustments to the portfolios provided which were: (1) eliminate home bias in public equity and (2) reduce modeled increase to Covered Calls. These portfolios had the same expected return as the current portfolio but with a lower measure of risk. The Investment Committee requested that PCA run the model for an increase in expected return, while matching the portfolio's current risk level. PCA will present the requested information at the October 31st Investment Committee meeting.

The next steps for the Asset Allocation project are:

October 2013 – Formal recommendations and selection of new policy portfolio

November 2013 – Summary of Asset Allocation Project and Implementation Process

Administrative Committee Report

The Administrative Committee met on October 8, 2013 at 10am at the Seattle City Employees' Retirement System Office, 720 Third Avenue, Suite 900 (Pacific Building)

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

Other Board Members present: Glen Lee

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

Others present: Mike Monaco, Song Mondress Law Firm; Paul Maffeo; John Comerford; Dwight McRae, SCERS Investment Advisory Committee Members

Ms. Becker reported that several of the Investment Advisory Committee members attended the Administrative Committee meeting. The Investment Advisory Committee provided their suggestions on how the Investment Advisory Committee should be structured, and the most effective and efficient way to utilize their expertise. Ms. Becker stated the Administrative Committee's goal is to draft an Investment Advisory Committee Charter and present to the Board of Administration for adoption at the December 12th Board meeting. The next Administrative Committee meeting is scheduled for November 12th at 10am.

Executive Director Report:

Work Plan Update

Mr. Nakatsu reported on the work plan updates. Mr. Nakatsu also highlighted the items that were completed ahead of schedule.

Investment Consultant RFP

Mr. Nakatsu stated that staff is currently working on the Investment Consultant RFP and requested the Board of Administration authorize SCERS staff to issue an Investment Consultant RFP.

Mr. Lee stated that he, David Stewart and Ken Nakatsu serve on the Deferred Compensation Board and recommended SCERS obtain Arnerich Massena as a consultant to assist with the Investment Consultant RFP process.

There was further discussion on the services, costs, and confirmation that Arnerich Massena understood they could not participate in the RFP process as a potential consultant.

The Board of Administration agreed that Arnerich Massena could provide valuable services.

Motion: Upon motion by Bob Harvey, seconded by David Stewart, the Retirement Board of Administration authorized SCERS Staff to issue an Investment Consultant RFP and also engage Arnerich Massena services to advise on RFP process and assist with selection process.
The motion carried unanimously.

Resolution and Incumbency Certificate – Revised

Mr. Nakatsu requested the Board of Administration approve a revised Resolution and Incumbency Certificate. Currently the Executive Director signature is required to conduct business transactions. SCERS staff proposed the Executive Director or the Chief Finance/Operations Officer and one of the following: Executive Director, Chief Finance/Operations Officer (depending on which required signature is obtained), or one of the Investment Staff members be authorized to sign such transactions.

Motion: Upon motion by David Stewart, seconded by Jean Becker, the Retirement Board of Administration approved the revised Board Resolution and Certificate of Incumbency as recommended by SCERS staff effective October 10, 2013.
The motion carried unanimously.

Mr. Davis requested that agenda item (6.a) Appointment of Administrative Committee members be moved before the SCERS Operations update and that agenda item (6.b) Linea Solutions Presentation follow.

There were no objections from the Board of Administration

Administrative Committee – Appointment of Administrative Committee Members

Mr. Nakatsu reported that at the September Board meeting the Administrative Committee Charter was adopted. However, the three committee members were not appointed to serve on the committee at that time. Mr. Nakatsu requested the Board of Administration appoint the Administrative Committee members.

Motion: Upon motion by David Stewart, seconded by Glen Lee, the Retirement Board of Administration appointed Jean Becker, Bob Harvey and Sherri Crawford to serve as the Administrative Committee.

Linea Solutions Presentation

Mr. Davis welcomed Mr. Akio Tagawa from Linea Solutions.

Mr. Tagawa presented the Board of Administration with an overview of what Linea Solutions initial analysis consisted of; peer comparisons; the gaps found and initiatives to address the gaps; options analysis; a recap of the Auditor recommendations; an estimated cost for both lower and higher end pension administrations systems; and the risks associated with not taking action.

Mr. Tagawa requested questions/comments from the Board of Administration.

The Board of Administration asked questions and expressed concerns on how a new Pension Administration System would affect the budget; business analysis needs; a new system ongoing maintenance needs (upgrades, integration with other city systems, etc); life span of a new system; and implementation timeframe.

Mr. Tagawa responses to the Board of Administration questions/comments included:

Currently systems have approximately two minor upgrades a years

Currently, system life spans are 15-18 years

The implementation timeframe is approximately three years out

The Board further requested a broader analysis on the expense ratio, the investment versus operational costs, and a comparison of what the organization will look like and how it compares to peers.

Staff will prepare a business case analysis as the Board of Administration requested and present at the November 14th Board meeting. SCERS staff will also ask for a motion at the next Board of Administration meeting requesting the Board provide direction on how SCERS staff should proceed with the next phase of the project.

Mr. Harvey, Acting Chair stated the Board of Administration would go into executive session to discuss a legal matter and Mr. Vien Nguyen's Disability Retirement application.

Disability Retirement Application

Mr. Vien Nguyen requested to speak to the Board of Administration before they entered into Executive Session.

Mr. Nguyen outlined his reasons for submitting a Disability Retirement application.

The Board of Administration thanked Mr. Nguyen for presenting his case.

The Board of Administration requested Ms. Foster, SCERS staff to return to the meeting after the Executive Session to present her IT update.

The Board of Administration entered into Executive Session at 10:30am for 45 minutes.

Executive session ended and the meeting resumed to public session at 11:15am.

Motion: Upon motion of Glen Lee, seconded by David Stewart, the Retirement Board of Administration denied Mr. Vien Nguyen's Disability Retirement application and directed SCERS staff to advise Mr. Nguyen of his appeal rights.
The motion carried unanimously

IT Update

Ms. Foster, SCERS staff reported that the development of the Customer Service Management tool and the work on the data audit initiatives are moving forward.

Ms. Foster presented the current step by step manual estimate process to the Board of Administration.

Motion: Upon motion of Jean Becker, seconded by Glen Lee, the Retirement Board of Administration adjourned the meeting at 11:27am.
The motion carried unanimously

David L. Stewart, Secretary