



MINUTES

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

SCERS Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Claire Foster; Tim Morrison; 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; Justin Natali, City Personnel; Christopher Jewell, Member; Kate Garrow; Charles Primm, Local 17; Jeffrey Curnutt; Vincent Galindo

Councilmember Burgess, Board 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 October 13, 2013 Retirement Board regular meeting.

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

Service	\$ 10,967,006.01
Beneficiary	\$ 887,613.57
Disability	\$ 73,159.24
Pension Payroll – PPE October 31, 2013	\$ 11,927,778.82
Office Payroll – PPE October 8 and 22, 2013	\$104,750.35
Vouchers Processed – October 31, 2013	\$831,243.39
*Expert and Consultant Services – \$54,869.50	
*Investment Management Fees – \$652,269.53	
*Interdepartmental Charges - \$97,776.75	
*Miscellaneous - \$26,327.61	

Immediate Withdrawals of Contributions for the month of October 2013:

Member Name	Department Name	Position
Abadilla, Amy C	Library	Lib Assoc IV
Brumfield, Brian F	City Light	Exec 2
Cyr, Kevin D	City Light	Strat Advr 3
De Guzman, Fausto P	HSD	Strat Advr I
Entzion, Robert W	FAS	Janitor
Gill, Tamara L	Arts	Arts Prgm Spec
Grant, Heidi E	HSD	Counselor
Haberly, Margaret M	Police	School Cross Guard
Kalman, Benjamin P	Retirement	Strat Advr 2
Landon, Madonna M	FAS	Personnel Spec Asst
Maas, Alexsis N	Library	Security Officer
Mannery, David T	SPU	Acct Exec
McCoy, Catherine R	DPD	Land Use Planner II
Merryman, Joshua M	Library	Lib Assoc I

Member Name	Department Name	Position
Paige, Ryan M	SDOT	Heavy Truck Drvr
Piquette, Cristie L	City Light	Admin Spec Asst
Thompson, Carol B	City Light	Exec 2
Williams, Donnell J	SPU	Maint Laborer

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

Withdrawals for a total of: \$725,587.15

Ratification of Service Retirements for October:

Retiree	RetireDt	Age	Years	Days	DeptName	Position
Briggs,Cherlyn L	10/9/2013	65	13	347	DPD	Admin Spec II
Calvert,David M	10/7/2013	64	12	207	Parks Dept	Vested
Church,Christopher J	10/1/2013	58	19	350	SPU	Vested
Conrad,Lindy L	10/8/2013	62	14	135	City Light	Pwr Marketer
Coryell,Carol L	10/2/2013	67	22	160	SDOT	Civil Engr, Assoc
Edgecombe,Melinda J	9/11/2013	62	24	66	FAS	Warehouser,Sr -BU
Everitt,Paul R	10/2/2013	65	30	11	FAS	Licenses & Standards Inspector
Ezenwoye,Sebastian	10/9/2013	65	29	47	SPU	Civil Engr, Assoc
Finlayson,Gary W	10/5/2013	66	27	157	SDOT	Civil Engr, Assoc
Hall,Donna L	10/9/2013	63	27	73	City Light	Elctn Con OI
Hayasaka,David K	9/30/2013	55	5	107	VarDept	Vested
James,Maxcine E	10/9/2013	66	25	20	City Light	Actg Tech II
Jennings,Linda L	10/9/2013	69	9	95	Police	Admin Spec II
Jensen,David A	10/5/2013	62	8	252	Parks Dept	Vested
LeMier,Richard E	10/9/2013	65	40	7	Parks Dept	Maint Laborer
Lewis,Linda L	10/3/2013	64	28	249	Law Dept	Victim Advocate
Nagan,Mary L	10/2/2013	66	5	155	Parks Dept	Cashier
Nishimoto,Vickie A	10/9/2013	62	34	143	City Light	Cust Svc Rep
Norton,Andrew J	10/4/2013	70	41	340	KC Metro	Chief Ops Training
Olausen,Signe L	10/3/2013	66	6	3	Human Svcs	Manager 2 Info Tech
Riley,Shirley J	10/9/2013	62	17	318	Library	Library Assoc I
Rolla,Trudy	9/14/2013	63	30	233	KC Health	EH Specialist Sr
Seay-Davis,Elaine L	10/9/2013	63	18	164	SPU	Util Acct Rep II
Sizov,Cheryl	10/2/2013	57	18	362	DPD	Vested
Stinsman,Kathy E	10/2/2013	66	16	334	Sea Center	TFM - Janitor SC

For the month of October 2013: 91 new Members entered the System, 40 terminations, 25 Members retired in the System, 15 Members removed (\$18,512.52), 2 D/E Option, 1 Option F reductions, 2 Option E pop-up, 4 over 60% benefit

Mr. Nakatsu stated there wasn't anything out of the ordinary to report on the retired payroll, office payroll, and other payments and withdrawals.

Motion: Upon motion by Lou Walter, seconded by Jean Becker the Retirement Board of Administration approved the Administrative Consent Agenda.

- Minutes of the October 10, 2013, Board Meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of October 2013

The motion carried unanimously.

Investment Committee Report

The Investment Committee met on October 31, 2013 at 12 noon at the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900 (Pacific Building)

Committee members present: Lou Walter, Chair; Glen Lee; David Stewart; Bob Harvey; Jean Becker; Sherri Crawford
Staff Present: Ken Nakatsu; Jeff Davis; Tony Smith; Jill Johnson; Tim Morrison; Lisa Carns

Others present: Neil Rue and Ryan Lobdell from PCA; John McCoy, Legislative Central Staff; George Emerson, FAS

Mr. Tony Smith, SCERS staff provided the Board of Administration with a recap of the October 31, 2013 Investment Committee meeting:

Investment Accounting Summary Report – September 2013

Mr. Smith reported for the month of September the Total Portfolio had a market value of \$2.1 billion.

During the month SCERS withdrew \$3,500,000 from the Blackrock Russell 1000 account to fund monthly benefits payments.

The funding ratio for the month of September was 67.31%.

Asset Allocation Project Continuation

Mr. Smith reported that PCA presented the results of the additional research requested at the September 26th Investment Committee meeting. The research included: (1) explore the highest return possible with SCERS current risk tolerance; and (2) explore the lowest risk possible with SCERS current return target. PCA presented two portfolios as outcomes of this analysis. Mr. Nakatsu presented a recommendation from SCERS staff which included applying market implementation considerations. The Investment Committee, PCA and SCERS staff discussed the options and agreed to recommend to the Board of Administration the below Portfolio allocations and that the Covered Calls name change to Low Volatility:

- US Equity 25%
 - i. Traditional Equity 15%
 - ii. Low-Volatility Equity 10%
- Non-US Equity 26%
- Fixed Income 20%
- Real Return 9%
- Private Equity 7%
- Real Estate 13%

Motion:

Upon motion by Lou Walter, seconded by Bob Harvey the Retirement Board of Administration approved the modified Portfolio outlined below and that the Covered Calls asset class name change to Low Volatility.

- US Equity 25%
 - i. Traditional Equity 15%
 - ii. Low-Volatility Equity 10%
- Non-US Equity 26%
- Fixed Income 20%
- Real Return 9%
- Private Equity 7%
- Real Estate 13%

The motion carried unanimously.

Mr. Smith reported the next step for the Asset Allocation project is the implementation phase.

Administrative Committee Report

The Administrative Committee met on November 12, 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

Staff Present: Ken Nakatsu; Jeff Davis; Tim Morrison; Lisa Carns

Others present: Mike Monaco, Song Mondress Law Firm

Ms. Becker reported that the Administrative Committee met on November 12th and developed the draft Investment Advisory Committee Charter. The Charter will be presented to the Board of Administration on December 12th for approval.

New Business:

Strategic Planning Session (Justin Natalie)

Mr. Natalie provided the Board of Administration with hand-outs outlining the outcomes from the February 2013 Strategic Planning Session and pre-work for the upcoming December 6th Strategic Planning session.

Mr. Natalie requested the Board of Administration complete the pre-work prior to the Strategic Planning Session in December.

Mr. Natalie stated the goal is to have a rough draft of the SCERS Strategic Goals by the end of the planning session.

Executive Director Report:

Mr. Nakatsu reported that the Overlay Manager finalists will be interviewed at the Investment Committee meeting on November 21, 2013. The criteria will be provided to the Investment Committee in advance of the meeting to assist with the interviews and selection process.

The SCERS Investment Consultant RFP will be issued the afternoon of November 14th. The RFP will close January 10, 2014.

Mr. Nakatsu recognized and thanked Mr. George Emerson for his work on the Investment Consultant RFP.

SCERS Operations Projects (Jeff Davis and Tim Morrison)

Mr. Davis reported that Linea Solutions presented their findings and recommendations to the Board of Administration at the October 2013 Board meeting. At that time The Board requested SCERS staff provide a business case for a Pension Administration System.

Mr. Tim Morrison presented the SCERS business case to the Board of Administration. The presentation included a detailed outline of the issues with the current pension operations system, description of options including pros and cons, and cost associated with each.

SCERS Staff recommended the Board of Administration approve SCERS staff to proceed with an RFP for the purchase of an enterprise pension administration system.

There were questions and concerns from the Board of Administration regarding costs, timeline, flexibility of a new system, and technology.

Mr. Morrison stated the RFP process is estimated to start in 2014 with a goal to implement core functionality of a new pension administration system in 2017.

Motion:

Upon motion of Tim Burgess, seconded by David Stewart, the Retirement Board of Administration authorized SCERS Staff to enter into contracts as needed to execute the system and process initiatives identified as pre-requisites for or complementary to a Pension Administration System. The Board of Administration also authorized the preparation and issuance of a Request for Propose (RFP) for a Pension Administration System.
The motion carried unanimously

Councilmember Burgess asked if there was any other business to discuss before entering into Executive Session.

Mr. Lou Walter recommended the Board members attend the NCPERS International Foundation of Employee Benefit Plans Conference. Mr. Walter stated there were sessions about emerging managers and recommendations that pension systems have legal firms monitor the Portfolio beyond the custodian. Mr. Walter requested that the Investment Committee discuss these items at a later meeting.

The Board of Administration entered into Executive Session at 10:15am for 45 minutes to discuss a legal matter and disability retirement applications.

It was announced at 11am that the Executive Session would be extended for an additional 15 minutes.

Executive session ended and the meeting resumed to public session at 11:08am.

Seattle Municipal Code Revision – IRS Filing

Motion: Upon motion of Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration approved the proposed amendments to SMC 4.36 to incorporate requirements of the United States Internal Revenue Code and other technical clean-up to SMC 4.36.
The motion carried unanimously

Disability Retirement Application – Mr. Gary Doran

Motion: Upon motion of Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration denied Mr. Gary Doran’s Disability Retirement application and directed SCERS staff to advise Mr. Doran of his appeal rights.
The motion carried unanimously

Disability Retirement Application – Mr. Christopher Jewell

Motion: Upon motion of Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration approved Mr. Christopher Jewell’s Disability Retirement application.
The motion carried unanimously

Appeal Disability Retirement Application – Mr. Vien Nguyen

Motion: Upon motion of Tim Burgess, seconded by Lou Walter, the Retirement Board of Administration denied Mr. Vien Nguyen’s Appeal to his Disability Retirement application.
The motion carried unanimously

Adjournment

Motion: Upon motion of Tim Burgess, seconded by Bob Harvey, the Retirement Board of Administration adjourned the meeting at 11:10am.
The motion carried unanimously

David L. Stewart, Secretary